



HIDALGO, BANFILL, ZLOTNIK & KERMALI, P.C.

GREATER HOUSTON CONVENTION AND VISITORS BUREAU

PERFORMANCE AUDIT



ANNISE D. PARKER

City of Houston
Annise D. Parker
City Controller

Report No. 2007-03



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

September 18, 2006

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Greater Houston Convention and Visitors Bureau
Performance Audit - Report No. 2007-03

Dear Mayor White:

In accordance with the City's contract with Hidalgo, Banfill, Zlotnik & Kermali, P.C. (HBZK), HBZK has completed a Performance Audit of the Greater Houston Convention and Visitors Bureau (GHCVB) to identify recommendations for improving the coordination, efficiency and effectiveness of GHCVB functions. The primary objectives of the engagement included:

- Assessing compliance with the City of Houston contracts for the fiscal years ended June 30, 2005/2006
- Assessing reporting policies and procedures and accountability to others
- Reviewing sales efforts, standards, goals and performance
- Assessing technology, databases, IT support and tracking mechanisms

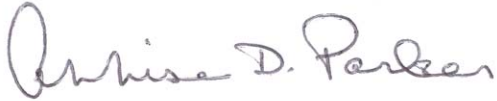
The report, attached for your review, identified various opportunities for improvement that would enhance the GHCVB's operations in performing its duties. Also included are GHCVB commendations, such as for improving relationships with the leadership of the Texas Medical Center, the Galleria and the Greenspoint areas and for working with the Greater Houston Partnership in bringing business conventions to the City of Houston.

The results and recommendations identified during the audit are included in the body of the report. Draft copies of the matters contained in the report were provided to GHCVB officials. The Summary of Recommendations with Views of the Responsible Officials as to actions being taken are appended to the report as Exhibit A.

We appreciate the cooperation extended to the HBZK engagement team by GHCVB and Convention and Entertainment Facilities Department personnel during the course of the audit.

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Respectfully submitted,

A handwritten signature in dark ink, reading "Annise D. Parker". The signature is fluid and cursive, with the first name "Annise" being more prominent than the last name "Parker".

Annise D. Parker
City Controller

xc: City Council Members
 Anthony Hall, Chief Administrative Officer
 Michael Moore, Chief of Staff, Mayor's Office
 Douglas Horn, Chairman of the Board, GHCVB
 Gerard J. Tollett, President and CEO, GHCVB
 Dawn Ullrich, Director, Convention and Entertainment Facilities Department
 Judy Gray Johnson, Director, Finance and Administration Department



HIDALGO, BANFILL, ZLOTNIK & KERMALI, P.C.

Certified Public Accountants

September 13, 2006

Honorable Annise D. Parker
City Controller
City of Houston
901 Bagby, 8th Floor
Houston, TX 77002

We have conducted a performance audit of the Greater Houston Convention and Visitors Bureau (GHCVB) as outlined in our engagement letter dated March 21, 2006 under Contract No. 56544.

The purpose of our audit was to perform an independent assessment of GHCVB to identify recommendations for improving the coordination, efficiency and effectiveness of GHCVB functions. Our observations and recommendations noted during the performance of the audit are presented in the report. Our procedures, which accomplished the audit objectives, were performed through May 19, 2006. A few minor items have been updated since that date. Additionally, a summary of recommendations with views of responsible officials is included in the report as Exhibit A.

Many thanks to the Office of the City Controller, the City's Convention and Entertainment Facilities Department, and all the employees of the Greater Houston Convention and Visitors Bureau for the support extended to Hidalgo, Banfill, Zlotnik & Kermali during this audit. We appreciate this opportunity to have been of service to the City of Houston.

Very truly yours,

Hidalgo, Banfill, Zlotnik & Kermali, P.C.
Hidalgo, Banfill, Zlotnik & Kermali, P.C. (HBZK)

GREATER HOUSTON CONVENTION AND VISITORS BUREAU

PERFORMANCE AUDIT

GREATER HOUSTON CONVENTION AND VISITORS BUREAU
PERFORMANCE AUDIT

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GREATER HOUSTON CONVENTION AND VISITORS BUREAU PERFORMANCE AUDIT

EXECUTIVE SUMMARY

Purpose and Scope of Audit

This audit was performed at the request of the Internal Audit Division of the Controller's Office. The primary objective is to explore practical improvements in the operations of the Greater Houston Convention and Visitors Bureau (GHCVB). The audit included a review of the following areas:

- Assess compliance with the City of Houston contracts (the City Contracts) for the fiscal years ended June 30, 2005/2006 (FY 05 and FY 06).
- Assess compliance with other contracts, ordinances, statutes, and agreements, as deemed appropriate.
- Assess reporting policies and procedures and accountability to others.
- Review and update where deemed appropriate prior internal and external "Best Practices" reports and benchmark comparisons.
- Review sales efforts, standard, goals and performance.
- Review effectiveness of Board Committees including the Executive Committee and the Compensation Committee.
- Assess technology, databases, IT support and tracking mechanisms.
- Review effectiveness of and return on investment (ROI) of advertising expenditures and publications and brochures and various other areas of the GHCVB.
- Review quality and success of any efforts to attract New Orleans business after Hurricane Katrina.
- Review how George R. Brown Convention Center (GRBCC) sales are tracking PKF Consulting Report and Price Waterhouse projections.
- Review methodology and criteria of bonus computations.

Executive Summary

Introduction and Background

Mission

The mission of the GHCVB is to “improve the economy of Greater Houston by attracting conventions, tourists, film projects and international government officials to the area through sales and marketing efforts,” as stated in GHCVB’s Annual Report.

Structure

Established in 1963, the GHCVB is a 501 (c) 6 non-profit corporation. With approximately 85 employees and close to 1,000 members representing all facets of the hospitality and business community, the GHCVB is divided into ten different areas: Convention Sales, Convention Services, Communication, Tourism, Membership, Houston International Protocol Alliance, Houston Film Commission, Houston Visitors Centers, Houston Image Group, and Finance and Administration.

Funding

The GHCVB's primary source of funding is from an annual agreement with the City of Houston (the City). The agreement revenue, which is 23% of the City’s hotel/motel occupancy tax proceeds (HOT), funds approximately 89% (close to \$10,000,000) of the GHCVB's total budget of \$12,000,000. In addition, funding from Harris County, \$795,000 annually, comprises approximately 7% of the GHCVB’s annual income. The GHCVB also raises funds through a variety of sources including membership dues, co-op advertising and in-kind contributions. The Houston Image Group, the international marketing arm of GHCVB, receives \$550,000 annually from the Houston Airport System.

Executive Summary

Major Observations and Recommendations

The following are our major observations and recommendations to improve the coordination, efficiency and effectiveness of the GHCVB functions. These observations and recommendations, along with other findings, are discussed in greater detail within the report.

Sales Goal of Room Nights and Measurement Methodology

Using the methodology that was in place during the 04/05 contract year, the 650,000 definite room nights required by the 04/05 contract was met by the GHCVB.

The following table shows the total room nights for the 05/06 contract year as of the date shown.

	Date	Actual	Goal
Total definite room nights	6/30/06	638,202	675,000
Definite new business for Houston	6/30/06	384,493	337,500
Definite new business for GRBCC	6/30/06	110,247	275,000

We found that the measurement of definite room nights and methodology used by the GHCVB does not provide an accurate accounting of contracted room nights and in many instances, it is based on subjective estimates. The procedures and methodology do not attempt to account for the actual room nights contracted by hotels. The permanent files on booked meetings contained very little hard copy support or documentation of the total room nights being taken definite.

We recommend that a five-member committee be established to determine a better way to measure the performance of the GHCVB. This committee should consist of the current Chairman, two board members from the hotel industry, one board member who is an employee of the GHCVB and one board member from the GRBCC.

We also recommend, in the event that some sort of room night measurement is continued as a part of the measurement of GHCVB performance, the committee referred to above (or a similar committee) review room night numbers of large citywide events and of all events with room nights in excess of 10,000. Room nights related to these events would be taken definite only upon approval of this committee. This review process will lend considerably more creditability to room nights taken definite than is in existence at the present time.

Executive Summary

Relationship with GRBCC

There appears to be a "strained" relationship between the GHCVB and the GRBCC. There exists duplication of sales efforts and a lack of understanding and communication between the two organizations. However, the leadership of both organizations acknowledge that this relationship has improved since regular communication meetings between the two groups have begun. We recommend that these meetings be continued indefinitely.

Sales Staff Turnover

The Convention Sales staff turnover is at 37% for the period reviewed; a majority of the staff hired during this period lacked convention and hotel sales experience prior to joining GHCVB. We recommend that GHCVB hire qualified sales personnel with strong ties to various industries and/or meeting planners from those industries in order to drive business to Houston. Retention of quality sales professionals should be a priority of senior management.

Low Sales Staff Morale

Results from respondents to the survey of the sales staff of the Convention Sales Department indicate low sales staff morale. A high percentage of respondents do not have trust or confidence in their supervisor. They feel that they are not treated equally and management does not respond to their concerns. They also believe that they are lacking in training. About a third of the respondents believe that their set goals are unrealistic, salary is too low and that they are not very satisfied with their overall job experience at GHCVB. We recommend that GHCVB provide better training and compensation to the sales staff and improve communications between supervisory and sales staff.

Officers' Convention Sales Efforts

In a survey of GHCVB members with 59 respondents, an average of 57% indicate that they are either satisfied or very satisfied with the performance of GHCVB sales staff and management. However, we interviewed five prominent members of an organization whose membership consists of most hotels in the community and they expressed concern about the effectiveness of the GHCVB Board members and GHCVB staff. In addition, representatives of the GHCVB community that were interviewed appear to have a polarized view of the overall performance of the GHCVB and of the overall performance of the President of the GHCVB. We recommend that GHCVB establish a better rapport with representatives of the hotel community in order to establish better communications and relationships with them.

Executive Summary

Business, Travel and Entertainment Expenditures

The GHCVB has a fiduciary duty with respect to the Hotel Occupancy Tax funds it receives from the City. We found that the GHCVB did not have an entertainment policy to limit meal and alcohol expenditures for familiarization trips and site visits. We also tested the travel and entertainment expenditures paid with the GHCVB's general funds, which are substantially made up of membership dues. We found that for a part of these entertainment expenditures, instead of full detailed receipts, written receipt stubs with only a total were provided as support. Primarily one executive incurred such expenditures, with only written total receipt stubs. We recommend that an entertainment policy be developed and put in place to provide guidelines to all employees as to the maximum amount they can spend for entertainment purposes. Full detail receipts should be retained and serve as support for employee reimbursements because written receipt stubs could be easily altered and abused.

Control of Airline Tickets Received under Contracts with an Airline

The GHCVB has a barter agreement and a promotional agreement with an airline and receives free airline tickets in exchange for sponsoring promotional activities and advertising in its official publications. We found that GHCVB employees did not follow proper procedures to request and account for the airline tickets. In certain cases, paper request forms were not filled out to document the purpose of travel. First class tickets were exchanged for coach tickets and no records were kept relating to these exchanges. Ticket logs were incomplete with missing information regarding passengers' company and title, purpose of travel, etc. E-ticket confirmations were not in file for easy reference. A ticket was used by a job applicant to travel to Houston for an interview. The contract with the airline authorized the use of tickets only by GHCVB employees and for promotion and convention sales purposes. We recommend that GHCVB develop and implement standard procedures for employees to request and account for the airline tickets.

Control of Tickets for Sports Events

The GHCVB entered into a two-year sponsorship agreement with the Houston Bowl Foundation. The sponsorship fee per agreement was \$100,000 for December 2004 and \$100,000 for December 2005. In exchange, the GHCVB received 140 Stadium Club seats and 30 parking passes. We found that the distribution of 41 of these game tickets and 28 of these parking passes were not accounted for. We recommend that records be kept for usage of the tickets and that unused tickets be retained in file for accounting purposes. We also recommend GHCVB develop and implement standard procedures to document the distribution of sports and other event tickets that either are purchased or received under special agreements.

Executive Summary

Procurement Bidding Process

We found that some GHCVB employees did not follow the policies and procedures to obtain competitive bids in their purchases of goods and services. There were no bids obtained for most of the purchases that were tested by us during the audit and there was no documentation of the reason(s) for omitting the bidding process. For the ones where bids were obtained, contracts were not necessarily offered to the lowest bidders and there was no documentation to support the decisions. In addition, there was no documentation to support that at least three bid requests were obtained for the purchases. The current policy is to obtain bids for all purchases over \$100 which we think is impracticable. We recommend that the purchase limit for which bids must be obtained, be increased to \$10,000. We also recommend that if there is deviation from the established policy, documentation be provided in all instances as to why the required number of bids were not obtained and why the lowest bidders were not chosen.

Information Technology and Support

The GHCVB began to use a new software system, the New Media Gateway (NMG) Destination Business System, in February 2006. As such, improvements are still to be implemented in the new system: policies and procedures for access limitation to NMG are being developed, employees are still to be trained to utilize the digital marketing tools, and reporting functions are still to be fully utilized to track room night bookings by hotels and venues to provide meaningful distribution (city vs. county, etc.) reports.

Reporting Policies and Procedures and Accountability

There is a large volume of reports generated by the GHCVB staff. There reports are produced mostly to provide information for the board of directors and to satisfy the reporting requirements of the City contract and other contracts (e.g. with Harris County). The preparation of these reports is costly and very time consuming. We recommend that a study to be conducted to evaluate the value of these reports and to consider if any reports can be eliminated or simplified. We also recommend that a “key indicators” report to be developed for the board to capture and highlight important information.

Recommendations from the Mayor’s Task Force on Conventions, Tourism and Entertainment

The Mayor’s Task Force Report issued in April 2004 included a variety of recommendations. All recommendations from the Task Force were evaluated by representatives of the City and members of the GHCVB Board and those items deemed appropriate were implemented. Recommendations that were not implemented included the recommendations that term limits be set for the GHCVB Officers and the members of the GHCVB Board of Directors and Nominating Committee. We recommend the GHCVB give further study to the advantages/disadvantages of term limits.

Executive Summary

Board Committee Meeting Minutes

During our review of the effectiveness of Board Committees, we found that other than the Executive Committee, all other committees do not keep minutes of their meetings. Although the bureau is not subject to any open meetings provisions, the actions of the committees such as Nominating Committee, Compensation Committee and Finance and Audit Committee have significant effect on the operations of GHCVB. Therefore, we recommend that these committees keep minutes.

Effectiveness of the Executive Committee

The Executive Committee has 27 members and is primarily made up of business leaders in the convention and tourism industry. Many have direct interests in the success of the GHCVB, and yet possible conflicts among them may hinder the decision making process. Furthermore, the size of the committee may be too large for the Committee to be effective. We recommend GHCVB conduct an internal study of the size and effectiveness of the Executive Committee to determine whether a smaller committee would be more efficient.

Effectiveness of the Compensation Committee

The Compensation Committee approved the payment of a bonus to the President based on an incentive plan that was approved by the Executive Committee. The greatest weight in determining the bonus under this plan was based upon room night bookings. However, as indicated above, we are recommending that the methodology of determining room night bookings be studied with the goal towards making the determination of such bookings less subjective. We recommend that the greatest weight in establishing the bonus to the President be assigned to whatever method of determining room night bookings that is decided by the above committee. In addition, we recommend the Compensation Committee submit their determination of the President's bonus to the Executive Committee for approval.

Effectiveness of and Return on Investment of Sports Marketing and Sales Efforts

The GHCVB hired a part-time consultant to head up the Sports Commission. This part-time consultant appears to have the expertise and contacts to bring major sports events to Houston. However, with all the major sports venues in place, we believe that Houston could benefit from an independent commission with cooperation of the Harris County Houston Sports Authority and other appropriate entities. As an alternative, the entities currently in place should consider which entity would be in the best position to address sports marketing in the City of Houston area. After reviewing materials provided by the GHCVB employees, we concur with them that computation of return on investment in this area is not practicable.

Executive Summary

Effectiveness of and Return on Investment of Advertising Expenditures

The FY 06 City Contract requires GHCVB to correlate marketing expenditures with confirmed room nights, convention center bookings, and tourism generated. After reviewing the research materials provided by the GHCVB employees, we concur with them that return on investment in terms of room night bookings is not practicable.

Methodology and Criteria of Bonus Computations

As indicated above, we are recommending that the methodology of determining room night bookings be studied with the goal toward making the determination of such bookings less subjective. We recommend that the greatest weight in establishing the bonuses be assigned to whatever method of determining room night bookings that is decided by the committee referred to above.

The above issues and recommendations are discussed in the more detailed report and related recommendations, which follow. Please refer to **Exhibit A, “Summary of Recommendations with Views of Responsible Officials”**, for an index of our recommendations and management’s response to those recommendations.

AUDIT DETAILS, OBSERVATIONS AND RECOMMENDATIONS

INTRODUCTION AND BACKGROUND

Mission

The mission of the GHCVB is to “improve the economy of Greater Houston by attracting conventions, tourists, film projects and international government officials to the area through sales and marketing efforts,” as stated in GHCVB’s Annual Report. Sales and marketing efforts include participation in industry events and trade shows, relationship marketing and networking, familiarization (FAM) trips, orientation site visits, and distribution of printed collateral like the Official Visitors Guide and the Meeting Planners Guide.

Structure

Established in 1963, the GHCVB is a 501 (c) 6 non-profit corporation. With approximately 85 employees and close to 1,000 members representing all facets of the hospitality and business community, the GHCVB is divided into ten different areas: Convention Sales, Convention Services, Communication, Tourism, Membership, Houston International Protocol Alliance, Houston Film Commission, Houston Visitors Centers, Houston Image Group, and Finance and Administration.

All of the above departments, except for the Finance and Administration, report to the Senior Vice President of Marketing who reports to the President. The President reports to the Board of Directors.

Funding

The GHCVB's primary source of funding is from an annual agreement with the City of Houston (the City). The agreement revenue, which is 23% of the City’s hotel/motel occupancy tax proceeds (HOT), funds approximately 89% (close to \$10,000,000) of the GHCVB's total budget of \$12,000,000. Under the provisions of the annual contract with the City, the GHCVB is responsible for providing advertising and promotional programs to attract tourists and conventions to the City of Houston, with emphasis to the George R. Brown Convention Center (GRBCC). In addition, funding from Harris County, \$795,000 annually, comprises approximately 7% of the GHCVB’s annual income and is utilized to promote and assist in booking county facilities such as the Reliant Park. The GHCVB also raises funds through a variety of sources including membership dues, co-op advertising and in-kind contributions. The total \$800,000 funding for the Houston Image Group, the international marketing arm of GHCVB, comprises of HOT and \$550,000 from the Houston Airport System.

Performance Measurement

While all departments set and monitor their goals continuously, the performance of the GHCVB is measured primarily by the number of hotel room nights booked by conventions and groups and their economic impact on the Greater Houston area. The room night goals set by the City Contracts for FY 05 and FY 06 are 650,000 and 675,000, respectively. The 06 City Contract also requires GHCVB to book new businesses for GRBCC and Houston as a whole.

A key to the GHCVB's success of booking the greatest possible number of hotel room nights is its marketing efforts through public relations, advertising and cooperative marketing opportunities. The performance of the Communication Department is primarily measured by the PR (Public Relation) value of the advertising activities it undertakes. However, the 06 City contract contains provisions that require measuring return on investment of advertising activities in terms of room nights.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives and Scope

The primary objectives of this audit are as follows:

- Assess compliance with the City of Houston contracts (the City Contracts) for the fiscal years ended June 30, 2005/2006 (FY 05 and FY 06) in the following areas:
 - Specific Services
 - Image Services
 - Budget
 - Unauthorized Expenditures
 - Separate Funds
 - Reports
 - Minority Women Business Enterprise
 - Insurance
 - Control of Tickets for Sports and Other Events
 - Related Party Transactions and Conflicts of Interest
 - Business, Travel and Entertainment Expenditures
 - Compensation
- Assess compliance with other contracts, ordinances, statutes, and agreements, as deemed appropriate.
- Assess reporting policies and procedures and accountability to others.

Objectives and Scope (Continued)

- Review and update where deemed appropriate prior internal and external "Best Practices" reports and benchmark comparisons.
 - Radcliffe Best Practices Report
 - Mayor's Task Force Report on Conventions and Tourism
 - Internally Prepared Quarterly Reports
 - Other reports as deemed appropriate
- Review sales efforts, standard, goals and performance.
 - Appropriateness of Sales Staff Deployment
 - Sales Staff Performance
 - Officers' Convention Sales Efforts
 - Sales Goal of Room Nights
 - Financial Evaluation of Business Prospects
- Review effectiveness of Board Committees including the Executive Committee and the Compensation Committee.
- Assess technology, databases, IT support and tracking mechanisms.
- Review effectiveness of and return on investment (ROI), if applicable, of:
 - Houston Image Group
 - Clear Lake Area
 - EVI.Net Bowl
 - Offshore Technology Conference (OTC)
 - Sports marketing and sales efforts in comparison to Houston Sports Authority
- Review effectiveness of and return on investment (ROI) of advertising expenditures and publications and brochures.
- Review quality and success of any efforts to attract New Orleans business after Hurricane Katrina.
- Review how George R. Brown Convention Center sales are tracking PKF Consulting Report and Price Waterhouse projections.
- Review methodology and criteria of bonus computations.

Methodology

This performance audit was conducted with procedures designed to achieve the objectives of the audit and included the following:

- Obtained and reviewed organizational charts and documentation related to the levels of authority and functional capacity of each division within GHCVB.
- Scheduled and conducted meetings and interviews with GHCVB key management and staff including periodic status meetings throughout the engagement to inform GHCVB of key issues and to discuss proposed recommendations.
- Conducted interviews with various representatives of the convention and visitor industry (area hotels and attractions), business and community leaders.
- Obtained written surveys from employees, customers (convention groups), hoteliers and restaurateurs.
- Reviewed internal reports to determine service levels, attainment of goals and compliance with reporting requirements under the City Contracts.
- Reviewed compliance and financial audit reports from prior years to identify contract and fiscal compliance issues.
- Reviewed external reports for convention sales projections and best practices studies and evaluated implementation of recommendations and attainment of projections.
- Obtained benchmarking statistics of the 3-sets of cities specified in the FY 06 City Contract for comparisons with GHCVB.
- Reviewed and compared policies and procedures of the various departments and divisions, (Communication, Convention Sales, Image Group and Tourism) to determine the efficiency and effectiveness of the marketing and advertising efforts made by each department/division. Analyzed job descriptions and activities of appropriate staff to determine existence of overlapping and duplicating efforts and conflicts of interest that would have adverse effects on the performance of each department/division.
- Reviewed the organization structure of GHCVB; conducted interviews and surveys with employees to evaluate employee job satisfaction and level of staff morale.
- Reviewed policies and procedures of the Convention Sales Department to determine the efficiency and effectiveness of the Department's efforts to achieve the sales goal of new conventions and room night goals. Performed validity and accuracy tests on leads and bookings reported where applicable.

Methodology (Continued)

- Reviewed the major promotion publications and brochures developed and distributed by GHCVB to determine if the volume and content are in compliance with the City Contracts. Reviewed the methodology used by GHCVB to measure the Return on Investment (ROI) from these publications.
- Reviewed promotion efforts and sales procedures taken to target special groups and areas such as Clear Lake, EVI.Net Bowl, OTC, sports events and New Orleans after Hurricane Katrina. Determined the quality and success of the efforts taken and measure ROI if practicable.
- Reviewed contracts and agreements with other entities including Harris County, Convention Center Hotel Corporation, and Greater Greenspoint Hospitality Alliance, to determine contract compliance and possible conflicts of interest or duplication of promotion efforts under these contracts and the City Contracts.
- Analyzed and tested adopted budgets against contract requirements and compared with actual revenues and expenditures.
- Reviewed the procedures to collect Agreement Compensation (Revenue) as stipulated in the City Contracts and the contract with Harris County. Tested, or relied on prior years' financial audits, the accuracy, and timeliness of revenue recognition.
- Tested compliance of all applicable provisions of the Texas Tax Code, specifically including, but not limited to, Texas Tax Code Ann. Section 351.101(f), 351.101(g) and 351.108, in relation to certain restrictions on the expenditure of the Hotel Occupancy Tax funds paid to GHCVB as Agreement Revenue under the City Contracts.
- Reviewed the policies and procedures to maintain separate of funds as required by the City Contracts. Reviewed budgeting processes to cover expenditures with appropriate revenue sources. Reviewed supporting documents such as bank accounts statements, vendor invoices and other financial records to test accuracy and validity of revenue transactions.
- Reviewed the procurement processes and procedures and tested against supporting documents to determine if unauthorized expenditures are being made. The type of expenditures under review included travel and entertainment, employee expenses, salaries and bonuses, sporting events and other events tickets, and related party transactions.
- Reviewed policies and procedures implemented to comply with the City's Minority and Women Business Enterprise programs as set out in Chapter 15, Article V of the City of Houston Code of Ordinances insofar as such programs apply to the City Contracts.
- Reviewed the insurance policies in force to determine adequacy of coverage as required by the City Contracts.

Methodology (Continued)

- Reviewed the policies and procedures followed by the IT department and obtained an understanding of the quality and quantity of the computer systems and equipment used by GHCVB. Conducted interviews with employees to assess the effectiveness of IT support and tracking mechanisms.
- Reviewed the structure of various Board committees, the meeting minutes and reports from these committees to determine their effectiveness and possible conflict of interests.

COMMENDATIONS

HBZK would like to commend the GHCVB for the following accomplishments:

- For receiving “excellent” and “very good” ratings in the post convention survey from 70% or more customers in 5 out of 6 sales managers rating categories. (See P. 23 of the Report.)
- For having recently received two awards from the American Marketing Association.
- For being named CVB of the Year by ConferenceDirect during its annual partners meeting.
- For improving relationships with the leadership of the Texas Medical Center, the Galleria and the Greenspoint area and for working with the Greater Houston Partnership in bringing business conventions to Houston.
- For having booked the 2011 Summer National Senior Olympic Games with an estimated 48,000 rooms and estimated economic impact of \$14,610,000 (based on estimated 15,000 attendees).
- For developing a long term strategic plan to integrate the web-based New Media Gateway (NMG) Destination Business System sales and marketing tools into business development efforts, and to utilize NMG tools to communicate to and expand the business growth of GHCVB members.

OBSERVATIONS AND RECOMMENDATIONS

A. CITY CONTRACT COMPLIANCE

A.1 Specific Services

During the audit, we found that GHCVB was not in compliance with certain contract requirements. These areas of non-compliance are as follows:

- A long-term (five year) business development plan has not been submitted to the Executive Committee for review and approval.
- A qualified full-time business/research analyst was not employed to a) develop a yield management tool to evaluate the economic impact of potential convention, meeting and trade show business; b) track the performance of all past events (revenue, expenses, discounts, room nights, etc.); c) monitor all (short and long-term) potential business; d) work with Houston area hotels to better understand their needs and requirements related to revenue management.
- The process to refresh the exhibit booth is still in progress.

A.2 Unauthorized Expenditures – Procurement Bidding Procedures

The GHCVB has a fiduciary duty regarding the revenue received from the City and cannot use it for unauthorized expenditures. One example of non-compliance cited in the City Contracts is the use of procurement policies and procedures that do not ensure quality goods and services at the lowest possible price. The GHCVB's effort to comply with this contract provision is to obtain bids from vendors. The current policy is to obtain a minimum of three bids for all purchases over \$100, which at times can be impracticable.

We randomly selected ten expense checks, four open bids from the Finance Department and ten close printing bids to examine the bidding documentation. Eight out of the ten purchases tested had no bids and there was no documentation of the reason(s) for omitting the bidding process. For all the ten printing bids tested, there was no documentation that at least three bid requests were sent. The most cited reason for not obtaining bids is time restraint – the purchases had to be made within a very short period of time. Due to the nature of the services requested, under certain circumstances, the bidding process was not strictly followed and the lowest bidder was not chosen.

Recommendations

- Change the bidding requirement policy to apply only to purchases over \$10,000.
- Develop and implement a policy to provide guidelines to employees as to under what situation a bidding process can be omitted and who has the authority to approve it.

- Document bidding information on purchase orders and provide explanation as to why no bids are obtained.
- Document corresponding reason(s) on purchase order as to why the lowest bidder is not chosen.
- Develop and implement a policy to require that all other departments in the GHCVB to follow the procedures currently used by the Communications Department. The procedures include a cover sheet to be used to summarize all the essential information on the bids received for a purchase. Attach this cover sheet, with proper approval signature(s) to the actual bids received. Keep this whole set of records in file by each individual department. For reference purposes, attach a copy of the cover sheet to the purchase order that is submitted to the Finance Department.
- Document all the bid requests by filing a copy of the related fax confirmations, e-mails or letters.

A.3 Reporting Compliance

The GHCVB has to submit to the City a variety of reports to fulfill the reporting requirements under the City Contracts. We reviewed the reports submitted during the audit period and found that in general they were prepared properly. One exception is the Houston Image Group's (HIG) revenues were not reported to the City as required. Employee related expenditures (salary, payroll taxes and benefits) were reported to the City by the Finance Department and the other expenditures were reported by HIG to the Houston Airport System. This non-compliance was corrected prior to the completion of this audit by submitting to the City a statement of activities with revenues and expenditures.

A.4 Control of Sports Events and Other Events Tickets

The GHCVB may purchase tickets to local sporting events to entertain clients. Such purchases have to be fully documented and an employee (including family members and friends)/client ratio shall not exceed 2:1. We have tested all the ticket purchases made during the audit period and found no exceptions to the 2:1 ratio

However, the GHCVB entered into a two-year sponsorship agreement with the Houston Bowl Foundation. The sponsorship fee per agreement was \$100,000 for December 2004 and \$100,000 for December 2005. Among the benefits that the GHCVB received under the agreement were game tickets and parking passes to the Houston Bowl (EV1.Net Bowl). We reviewed the records for the distribution of these tickets and found that a total of 79 tickets and passes were not accounted for, as shown in the following table.

Type of Tickets For Each Year	Total Number of Tickets/Passes Received	No. of Tickets Not Accounted For
One 16-person Corporate Suite	32	None
70 Stadium Club seats	140	41
15 reserved parking passes	30	28
10 tickets to all Bowl Week events	20	10

Recommendations

- Develop and implement standard procedures to document the distribution of sports and other event tickets that are either purchased or received under special agreements. Develop a standard format of documentation to include attendee's name, company name and affiliation with the GHCVB.
- Retain unused events tickets for accounting purposes.

A.5 Business, Travel and Entertainment Expenditures

As the GHCVB has a fiduciary duty to the agreement revenue received from the City, any expenditure paid out of the City funds should be of reasonable and prudent amounts and properly supported by receipts and other documents. During our disbursements tests, we found that the GHCVB does not have a policy to place any restrictions on the type or amount of client entertainment expenses for familiarization trips and site visits. Of the 37 items tested, 7 (19%) items did not have detail receipts to support the respective amounts spent for food and beverages (receipts with a grand total was in file). We also tested the travel and entertainment expenditures paid with the GHCVB's general funds, which are substantially made up of membership dues. We found that for a part of the entertainment expenditures, instead of full detail receipts, written receipt stubs with only a total were provided as support. Primarily one executive incurred such expenditures, with only written total receipt stubs.

Recommendations

- Develop and implement bureau-wide policies to limit client entertainment and alcohol consumption for that purpose. Policies to be followed by all personnel in the bureau.
- Retain full detail receipts as support for employee reimbursements because written receipt stubs could be easily altered and abused.

A.6 Compensation Compliance

The agreement revenue received by the GHCVB from the City is net of the rent due City for its leased spaces in the City Hall. During our testing of revenues received, we found that the current lease agreement was not in file to support the amount of rent credited against revenue. An updated lease agreement has since been obtained and the rent credit was accurate.

A.7 Assessment of Compliance with Other Provisions in City Contracts

The scope of this performance audit includes assessing compliance with other various provisions in the City contracts: Image Services, Budget, Separate Funds, Insurance, and Related Party Transactions and Conflict of Interest. We did not have any findings as a result of the audit procedures applied in these areas.

B. OTHER CONTRACTS COMPLIANCE

B.1 Control of Airline Tickets under Contracts with an Airline

B.1.a Latin America Promotional Agreement

The GHCVB's obligations under a two-year (ending February 2007) promotional agreement with an airline includes allowing the airline to place certain advertising in its official publications at no cost and for the Houston Image Group to support and participate in certain of the airline's Latin American promotional activities. Total estimated cost for these promotional activities is approximately \$104,000. In exchange, the GHCVB receives credits to use a certain number of airline tickets of various classes. To monitor the use of the tickets, the GHCVB would submit to the airline a monthly ticket log detailing how the tickets are used.

Upon our inquiry about the number of tickets actually received, the ticket log was recompiled, as management realized that not all the tickets were accounted for. The modified ticket log showed the number of tickets received and the number of tickets used. Among the tickets received, only one was first class, as compared to 16 that should have been received in accordance with the agreement. According to the management of the Houston Image Group, negotiations were made with the airline to exchange first class tickets with economy class tickets. Records of the negotiations were not kept. The airline processed all the requests for redemption of credits and thus, the assumption could be made that the airline approved all the credits issued to the GHCVB including the exchanges of first class to economy class tickets, the number of tickets exchanged and the classes of tickets issued.

All the tickets were used for the purposes as specified in the contract according to GHCVB's records. However, some fields of the ticket log were not filled out with missing information on the name of the passenger's company and title, and purpose of travel. Furthermore, some e-ticket confirmations were not kept in the file to support the information in the ticket log.

Recommendations

- Keep records of negotiations made with the airline regarding ticket class exchange.
- Make better efforts to improve record keeping of the airline ticket log.
- Keep all e-ticket confirmations in file as supporting documents.

B.1.b Barter Agreement

There is a Barter Agreement between GHCVB and an airline. It is a two-year agreement ending December 2006. The GHCVB receives free airline tickets in exchange for sponsoring promotional activities and advertising in its official publications. Tickets are to be used by GHCVB employees and Board of Directors Executive Committee members on official GHCVB business, and prospective customers of GHCVB visiting Houston on site inspections or familiarization trips. Unauthorized use of tickets immediately voids the agreement.

Upon review of the ticket log, we found that all of the airline tickets were accounted for. However, we also found that a ticket was used by a convention sales job applicant to fly to Houston for an interview. The purpose for the use of this ticket does not seem to fit into one of the authorized categories. In addition, we found that the ticket log is incomplete with missing information in some of the fields due to inadequate information on some of the request forms or e-mails, and some E-ticket confirmations are not kept in the file to support the information in the ticket log.

Recommendation

Implement formal procedures requiring employees to fill out paper request forms to request airline tickets. Exceptions should be given out only under emergency situations and should be well documented.

B.2 Assessment of Compliance with Other Contracts and Agreements

The scope of this performance audit included assessing compliance with various other contracts and agreements: Harris County Contract, Agreement with Houston Convention Center Hotel Corporation, and Agreement with the Greater Greenspoint Hospitality Alliance. We do not have any findings to report as a result of the audit procedures applied to these areas.

C. REPORTING POLICIES AND PROCEDURES AND ACCOUNTABILITY TO OTHERS

Exhibit "F" of the City contract for the fiscal year ended June 30, 2006 (included as Appendix A in this report) requires a large number of reports to be filed with the City on a timely basis. Our review of the reports submitted to the City found that the reports are filed in a timely manner. However, according to the management of the Communications Department, the GHCVB employees spend an inordinate amount of time reporting and analyzing data generated from the GHCVB website, the GHCVB media buyer, tracking success from promotional campaigns and PR efforts. However, reporting of the activity of the Communications Department and subsequent success is a valuable part of the quarterly report process to the City and the Marketing Committee of the GHCVB board.

Recommendations

- Conduct a study to evaluate the usefulness of each internal report. If it is found that the current reporting process has become onerous and non-productive, simplify or eliminate some reports.
- Develop a “key indicators” report for board members, which captures and highlights statistics, financials, trends, significant changes, etc. in a two to three-page document.

D. “BEST PRACTICES” REPORT UPDATE

The Mayor’s Task Force Report issued in April 2004 included a variety of recommendations. All recommendations from the Task Force were evaluated by representatives of the City and members of the GHCVB Board and those items deemed appropriate were implemented.

Recommendations that were not implemented include the following:

- Two 3-year terms for Board of Directors – Term limits are not specified in the By-laws.
- A 6-year term for the Nominating Committee members – Term limits are not specified in the By-laws. Two Chair Emeriti could have perpetual terms on the Committee.
- A two-year term for Officers – A one-year term is stipulated in the By-laws. However, certain officers have held positions for more than two years.
- The Compensation Committee members shall be chaired by the current Chairman of the Board with three members elected by the Executive Committee by secret ballots – There is no chairperson in the committee. The members are selected according to the By-laws and are made up of the current Chairman of the Board, Vice Chair/Treasurer, the immediate Past Chair, and the two Chair Emeriti. The Chair Emeriti could have perpetual terms on the Committee. Furthermore, only one member has changed during the last 3-year period. 3 out the 5 members have been on the Committee for all 3 years.
- The representative from the Greater Houston Restaurant Association (GHRA) be selected as a member of the Executive Committee – The representative from GHRA is a member of the Board, but is not on the Executive Committee.
- Examine the feasibility of consolidating the sports marketing efforts with the Harris County-Houston Sports Authority (HCHSA) under the leadership of GHCVB – In 2004, GHCVB tried to set up a sports commission with partnership of HCHSA. The commission was designed to be under the leadership of GHCVB, but the effort was not successful. GHCVB then unilaterally set up the Space City Sports Commission which is headed by a part-time sales manager. GHCVB’s sports marketing efforts will be discussed in more detail in the section of Effectiveness of and Return on Investment of Sports Marketing and Sales Efforts on P. 35.

Recommendation

Explore the advantages/disadvantages of setting term limits for Officers and members of the Board, the Nominating Committee and the Compensation Committee.

Update of Other “Best Practices” Reports – We have also reviewed the recommendations made in the Radcliffe Best Practices Review Report issued in November 2004. The recommendations included sales staff deployment, sales performance evaluation and incentive system, hiring practices (experience and competitiveness of employees), performance criteria and technological resources. We found that GHCVB has adopted most of these recommendations, except that it is still experiencing high turnover and lack of experience of some of the sales staff, as being discussed below.

E. SALES EFFORTS, STANDARDS, GOALS AND PERFORMANCE

E.1 Strained Relationship with GRBCC Staff

There appears to be a “strained” relationship between the GHCVB staff and the George R. Brown Convention Center (GRBCC) staff although leadership of both the GHCVB and GRBCC acknowledge that this relationship has improved somewhat since the start of our performance audit.

- Senior staff of both organizations are unclear on how their respective teams can interact and work effectively together.
- There exists duplication of sales effort between the GHCVB and the GRBCC.
- Confusion occurred between the GRBCC and the GHCVB when reconciling the actual new business bookings for the current fiscal year. This demonstrates a lack of understanding and communication between the two organizations.

Recommendation

Improved communications between the GRBCC and the GHCVB is essential. Regular communication meetings between these two groups have begun since this audit began and we recommend that these meetings be continued indefinitely.

E.2 Appropriateness of Sales Staff Deployment

A structured approach to the deployment of the sales staff is in place that mirrors the key markets identified by the management of the Convention Sales Department. The number of sales personnel deployed by the GHCVB is in compliance with the City contract. Currently they have 17 sales professionals in the Convention Sales department. This includes the four “small” meetings sales managers.

Senior management of the GHCVB has made changes to the Convention Sales and Communications staff over the last 18 months that, in their opinion, will help improve the achievement of their goals and objectives. This deployment is appropriate for the vertical and geographical markets that have been successful for Houston in the past.

Regional offices and staff are in place in key markets (Dallas, Chicago and Washington DC) for the sales support of the GHCVB's sales efforts. The Austin regional position was still open as of May 1, 2006. This is an important position to fill in order to cover the State Association market for the GHCVB.

The recently added "Small Meetings" sales staff in conjunction with the Hilton Americas allows the GHCVB to also cover the corporate meetings market for conventions and conferences that generate up to 1,500 room nights on peak.

The results from 59 respondents to the Members Survey conducted for this audit indicate possible unbalanced sales efforts deployed to benefit the Greater Houston area. Ten (10) respondents made comments that there is too much concentration on Hilton Americas, downtown hotels, vs. outlying area hotels. However, the GHCVB is required by City contract to promote Hilton Americas and GRBCC.

E.3 Sales Staff Turnover

The Convention Sales staff turnover is at 37% for the last two years, and many of the staff who were hired during this period lack convention and hotel sales experience.

Recommendation

Hire qualified sales personnel with appropriate backgrounds who have strong ties to various industries and/or meeting planners from those industries in order to drive business to the GHCVB. It is important for the future of the GHCVB and Houston to ensure that productive convention sales managers are appropriately compensated and recognized for their contribution to the overall success of GHCVB. Retention of these quality sales professionals should be a priority of senior management.

E.4 Low Sales Staff Morale

Results from 10 respondents to the written survey of the Convention sales staff indicate low job satisfaction of employees. The following table shows the categories with highest negative ratings from employees. (A complete set of survey results is included as Appendix B to this report.)

Employee Survey Items	Strongly Disagree	Disagree	Total
Staff has trust and confidence in their Supervisor.	40%	30%	70%
I am provided with enough training to do my job properly.	20%	40%	60%
Management is responsive to employee concerns.	30%	30%	60%
Management gives fair and equal treatment to all employees.	30%	30%	60%
Bureau provides equal opportunities for all employees.	20%	30%	50%
Diverse perspectives are valued and encouraged.	20%	30%	50%
The goals set for my job are realistic.	20%	10%	30%
My compensation matches my responsibilities.	10%	20%	30%

The results also show that 40% of the respondents are not very satisfied with their overall job experience at GHCVB.

Recommendations

- Provide sales staff better training.
- Review level of compensation and compare with salary offered by other CVB's and leading companies in convention businesses.
- Improve communications between supervisory and sales staff.
- Provide personnel management training to supervisory staff.

E.5 Excellent Ratings from Customers Post Convention Survey

Despite the turnover and low sales staff morale as an indication from the Employees Survey, the sales managers received very high ratings from their clients in the Post Convention Survey. The following table shows the two highest ratings given to the sales managers by the 44 respondents to the survey. (A complete set of survey results is included as Appendix C in this report.)

Rating of Sales Manager	Excellent	Very Good	Total
Quality of salesmanship – helped choose Houston first	48%	25%	73%
Professionalism	59%	16%	75%
Promotion of Houston as a city	46%	25%	71%
Promotion of Houston hotels, restaurants and other attractions	43%	27%	70%
Promotion of meeting facilities	37%	34%	71%
Knowledge of competitive cities and their facilities	32%	27%	59%

E.6 Officers' Convention Sales Efforts

- We interviewed five prominent members of an organization whose membership consists of many large hotels in the community and they expressed concern about the effectiveness of the GHCVB Board members and GHCVB staff.
- Representatives of the GHCVB community that were interviewed appear to have a polarized view of the overall performance of the GHCVB and of the overall performance of the President of the GHCVB.

Below are statistics developed from the interviews.

Overall performance of the GHCVB			
Positive	Negative	No comment	Total
6	11	1	18
33%	61%	6%	100%

Overall performance of the President of the GHCVB			
Positive	Negative	No comment	Total
3	10	5	18
17%	55%	28%	100%

- In a survey of GHCVB members with 59 respondents, on a scale of 1 to 5, with 5 being very satisfied, an average of 57% selected either 4 or 5 to questions relating to the overall performance of the GHCVB and the GHCVB management. (A complete set of results is presented as Appendix D.)

Item/Rating	5	4	3	2	1	N/A	N/R	Total
GHCVB's efforts in promoting Houston	41%	15%	22%	14%	8%	0%	0%	100%
GHCVB Sales staff's professionalism	47%	24%	17%	8%	2%	0%	2%	100%
GHCVB Sales staff's effort in obtaining new leads	32%	17%	22%	17%	9%	0%	3%	100%
GHCVB Sales staff's willingness to work with the members	44%	20%	20%	7%	5%	0%	4%	100%
GHCVB Management's understanding of the needs of the members	32%	17%	19%	19%	8%	3%	2%	100%
GHCVB Management's responsiveness to the members' concern	34%	18%	19%	15%	7%	5%	2%	100%

N/A = Not applicable

N/R = No response

Recommendation

Hold regular meetings with representatives from the hotel community to improve communications and relationships with the group.

E.7 Sales Goal of Room Nights and Measurement Methodology

The primary performance goals for the GHCVB in the City contracts relate to the number of definite hotel room nights created from the sales efforts of the GHCVB. The performance requirements as stated in the City contracts are as follows:

- 04/05 Contract – 650,000 Total Definite Room Nights.
- 05/06 Contract – 675,000 Total Definite Room Nights with 337,500 new to Houston and 275,000 room nights directly attributable to new business to Houston scheduled into the GRBCC. New Business to Houston is defined as a meeting or tradeshow that has not met in Houston in the last 5 years and does not have Houston in a rotation.

Using the methodology that was in place during the 04/05 contract year, the 650,000 definite room nights required by the 04/05 contract was met by the GHCVB.

The following table shows the bookings to date vs. contract minimums for the 05/06 contract year:

	Date	Actual	Goal
Total definite room nights	6/30/06	638,202	675,000
Definite new business for Houston	6/30/06	384,493	337,500
Definite new business for GRBCC	6/30/06	110,247	275,000

The following two tables show the goals and actual bookings for Houston and the competitive sets of cities (as specified in the 05/06 City Contract) for 2004 and 2005:

Competitive Sets 1 and 2 (city-wide total area and central business district)				
City/Fiscal Year	2004 R/N Goal	2004 Actual Booked	2005 R/N Goal	2005 Actual Booked
Austin – Oct/Sept	380,000	398,047	400,000	414,155
Dallas – Oct/Sept	1,160,000	695,630	725,000	767,378
Denver	494,000	508,000	550,000	N/A
Indianapolis – Jan/Dec	531,000	487,103	495,000	500,019
Kansas City – Jan/Dec	425,000	310,185	400,000	424,756
Philadelphia	710,000	590,000	710,000	N/A
San Antonio	942,000	744,000	755,000	N/A
St. Louis	500,000	407,112	515,000	415,134
Houston – July/June	650,000	607,000	650,000	652,211

R/N = Room Nights

N/A = Not Available

Competitive Set 3 (city-wide total area)				
City/Fiscal Year	2004 R/N Goal	2004 Actual Booked	2005 R/N Goal	2005 Actual Booked
Atlanta – Jan/Dec	1,750,000	1,694,000	1,754,000	1,765,000
Chicago	2,948,972	2,943,256	3,100,000	Declined
Dallas – Oct/Sept	1,160,000	695,630	725,000	767,378
Miami	600,000	560,000	660,000	N/A
New Orleans	1,800,000	1,560,000	No Goal	Retention
San Diego – July/June	650,000	714,519	700,000	675,308
Houston – July/June	650,000	607,000	650,000	652,211

We reviewed the current policies and procedures being followed by the GHCVB in calculating the total number of room nights being reported as definite to determine contract compliance. We reviewed a sampling of the definite bookings to determine if policies and procedures are being followed.

The sales staff of the GHCVB currently utilize several different industry sources to obtain leads on future conventions, tradeshow, corporate meetings and tourist travel that could possibly consider Houston as their meeting or vacation destination. These sources include but are not limited to International Association of Convention and Visitors Bureau (IACVB) meeting information network convention reports (“MINT” Reports), Request for Proposals from meeting planners, tradeshow leads, call-in leads from GHCVB’s switchboard and individual research.

When an individual lead is received, the GHCVB sales staff will research the lead as to meeting start dates and duration, attendance, peak night rooms and total room nights to be booked. These leads generally relate to meeting dates to be held 2-5 years into the future. Contact will be made with the meeting planner or other decision maker to determine if Houston will be considered for the meeting site. If Houston will be considered as the meeting site, a Tentative Sales Leads Sheet is created and entered into the GHCVB computer database for tracking. This Tentative Lead sheet contains the following basic information:

- Group Name
- Meeting Planner or Contact Name
- Meeting Dates
- Total Attendance Projections
- Peak Night Room Projections
- Total Room Night Projections
- Exhibit/Meeting Room Requirements

Once the lead is entered into the GHCVB database, management is able to track the lead until Houston is selected as the meeting site or the business was lost to another city. If Houston is selected as the host city, the GHCVB staff monitor the contract negotiations between the meeting planner and meeting venues and hotels. Once the meeting planner executes a contract with any entity in Houston that is connected with the meeting, the GHCVB turns the Tentative Lead into a Definite Booking and records 100% of all room nights associated with this meeting

as definite even if the signed contract is not for 100% of such room nights. If on the other hand, Houston is not selected as the host city, the Tentative Lead is entered as Lost Business and reasons for the loss are noted in the file.

This Definite Booking number of hotel room nights is very important because it determines City contract performance/compliance and is a major factor in the determination of compensation and bonuses. GHCVB management believes that it has a more conservative policy than most other CVB's adhere to as most other CVB's only need a "letter of intent", not a contract, from a meeting planner in order to turn a Tentative Lead to a Definite Lead.

Even though the GHCVB utilizes a more conservative procedure in recognizing Definite Bookings than many other CVB's, we found that this number does not necessarily correlate to the number of room nights contracted with Hotels and that such numbers were subjective estimates in many cases. During our review, we noted that meeting planners might need to contract with more than one hotel to accommodate the expected number of attendees. Since the meeting date might be two or more years in the future, the meeting planner usually will not even contract with hotels for the expected total attendance until a date closer to the meeting start date. During this lapse of time, the expectations of the meeting attendance will vary, thus actual hotel contract numbers may or may not agree with the number taken definite by the GHCVB. No attempt is made by the GHCVB to determine if the final room nights contracted for correlate to the original number recorded by the GHCVB.

Another factor contributing to the issue with the Definite Room Night calculation is the hosting of citywide events like sporting events, bowl games, music festivals and technology conferences that project large attendance figures. The total room night number on events like these is estimated using some best guess assumptions and historical data that are also based on assumptions. Some individuals interviewed questioned the accuracy of these room night numbers because the nature of these events make it impossible to verify actual hotel room nights booked and these events almost always have a large number of total room nights credited as definite by the GHCVB.

We reviewed a random sampling of 52 events that had room nights taken definite during the contract period July 1, 2004 to June 30, 2005. The sampling included a cross section of different hotel properties but did not take into account any of the large citywide events as described in the preceding paragraph. The totals for this sampling are as follows:

No. of Meetings	Definite Room by Hotels	Rooms Contracted	% Contracts Nights Verified
52	80,217	57,056	71.1%

Based on this sampling, we were able to verify that 71.1% of the room nights taken definite were contracted for by Houston hotels. This is not to say that the other 28.9% of the rooms taken definite were not ultimately booked. We can only conclude that the current practices and procedures being used by the GHCVB do not produce a verifiable or actual contracted room night total. During our review, several interviews were conducted with major stakeholders, Board members and GHCVB management. During these discussions, we were given several

differing opinions as to exactly what the GHCVB Total Definite Room Nights number represents and how it is documented. It is clear that confusion and misunderstandings exist about how this number is arrived at, supported, documented and booked.

Our review of the hardcopy files relating to the sampling we selected indicated that files were generally being maintained under the current set of documentation standards. Those standards being that at least one contract signature page be placed in the file to support the total number being taken definite. Although we were told that IACVB “MINT” reports were in the file to support the lead number taken, no MINT reports were found in the hard copy files. GHCVB staff also described these MINT reports as inaccurate, outdated information based on an outdated and overloaded database. Management confirmed that during the fiscal year ended June 30, 2005, file documentation was not adequate and new policies and procedures were put in place to make sure proper contract documentation was in the file prior to taking a room night total definite.

At this time, “file housekeeping” seems to be in much better shape and is being maintained on a current basis. Based on our review of the hardcopy files, we would conclude that the file documentation seems to be well maintained according to current documentation procedures. There is however, a critical element missing from each file that is important to include. The electronic information generated from discussions with specific meeting planners is not included in the hard files. This information can be found in the systems electronic files controlled by each sales manager (see Sales Staff Reports below).

Recommendations

- We recognize that the Room Night calculation is being performed in accordance with accepted industry standards. However, due to the subjective nature of how some of these numbers are determined and due to the misunderstandings and confusion that exist within our community with respect to these numbers, we recommend that GHCVB establish a five-member committee to determine a better way to measure the performance of GHCVB. This committee would consist of the current Chairman of the CVB, two board members from the hotel industry, one board member who is an employee of the GHCVB and one board member from the GRBCC. Once a method of measuring productivity has been agreed upon, it should be well communicated to all stakeholders so that there is a clear understanding as to what this measurement is supposed to represent.
- We also recommend, in the likely event that some sort of room night measurement is continued as a part of the above measurement of GHCVB performance, that the committee referred to above (or a similar committee) review room night numbers of large citywide events and of all events with room nights in excess of 10,000. Room nights related to such events would be taken definite only upon review and approval by this committee. This review process will lend considerably more credibility to room nights taken definite than is in existence at the present time.

E.8 Sales Staff Reports

As noted previously, the paper (hard) files for all accounts do not contain any of the sales manager comments, status updates, reasons for lost business etc. According to the sales management personnel, those notes are kept electronically and updated by each manager using the existing software system.

We requested the electronic notes for certain target accounts in order to verify the status report and determine how or why the business was lost. In most cases, the information furnished was repetitive, inadequate and/or not complete. From a sales management perspective, this can be problematic for those executives in charge of monitoring each sales manager's effectiveness. Also, if there is turnover among sales managers, it is important to ensure the data attached to each account is up to date and accurate.

Recommendation

Review actual sales files (hard copies located in the file room) and electronic files that are worked daily by the sales staff during the bi-monthly one-on-one meetings between senior management and each sales manager to ensure accuracy and completeness.

F. EFFECTIVENESS OF BOARD COMMITTEES

F.1 Meeting Minutes

During our review of the effectiveness of the various board committees, we found that minutes are not kept of any of the committee meetings except the Executive Committee. Although the bureau is not subject to any open meetings provisions, the actions of the other committees, such as the Nominating Committee, Compensation Committee and the Finance and Audit Committee, have significant effect on the operations of GHCVB. Therefore, we believe that there should be records of their actions during meetings.

Recommendation

Keep minutes of all committee meetings.

F.2 Executive Committee

The current Executive Committee has 27 members made up of community leaders, representatives from major stakeholders (GRBCC, Reliant Park, hoteliers), current and past members of the Board and the President of the GHCVB. The size of the committee corresponds with that recommended by the Mayor's Task Force Report – a maximum of 15 board members in addition to the representatives listed above; the total number would be close to 27. The maximum number of members stipulated in the By-laws is 30 exclusive of the two Chair Emeriti, a total of 32. The members for the current and last fiscal year are as follows:

Member	GHCVB Board		As Stipulated in	
	FY 05	FY 06	By-laws	MTF*
The Mayor	1	1	1	1
Harris County Judge	1	1	1	1
Reliant Park	1	1	1	1
GRBCC	1	1	1	1
Hotel and Motel Assn of Greater Houston – Chair	1	1	1	1
Hotel and Motel Assn of Greater Houston – President	1	1	1	1
Houston Convention Center Hotel Corp.	1		1	
Houston Restaurant Association				1
Cultural Arts Council of Houston/Harris County	1		1	
Chairman of the Board	1	1	1	
President of CVB	1	1	1	
Vice Chair – Dining, Entertainment & Special Events	1	1	1	
Vice Chair – Tourism	1	1	1	
Vice Chair – Membership	Open	1	1	
Vice Chair – Marketing & Communications	1	1	1	
Vice Chair – Convention Sales & Services	Open	1	1	
Vice Chair – Treasurer	1	1	1	
Secretary	1	1	1	
Immediate Past Chairs	3	3	3	3
Chair Emeriti	2	2	2	2
Members at large	5	3	5	15
Total Count	27**	23	27	27

(* Mayor's Task Force Report dated April 2004; ** Including open positions)

The authority and duties of the Executive Committee listed in the By-laws are as follows:

- Subject to the control and direction of the Board of Directors.
- Carry and handle the business and affairs of the Bureau except where action of the entire board is specified by the by-laws or applicable law.
- 7 members present in person shall constitute a quorum for the transaction of business.
- May act by majority of a quorum at a meeting or by a writing signed by all of its members.
- Have to keep regular minutes of its proceedings and report to the Board.
- Review annually the operations and activities of all standing committees and shall report findings to the Board.
- Review and approve the business plan for the Bureau provided by the President.

The following are some of the actions taken by the Executive Committee based on the meeting minutes:

- Approval of Nominating Committee's appointment of board of directors.
- Approval of reports by each standing committee.
- Approval of financial commitments.
- Approval of budgets and business plan.
- Changes to the By-laws.
- Contract negotiations.
- Discussions and decisions made on upcoming business, participation and issues in big events, and problems that affect GHCVB's business.

Our interviews with GHCVB management and stakeholders reveal the following facts and issues about the Committee:

- Other than the 5 members at large and the vice chairs, the other members are representatives from major stakeholders as stipulated in the By-laws and recommended by the Mayor's Task Force Report. These committee members are business leaders in the convention and tourism industry and have direct interests in the success of the GHCVB. As such, there are also possible conflicts among the stakeholders that would hinder the decision making process.
- Occasional conflicts exist among members, particularly GRBCC vs. GHCVB.
- No specific control group exists; consensus vote is required to pass any motion.
- The size of the Committee, at 27, may be too large to be effective.

Recommendation

We recommend the GHCVB to conduct an internal study of the size and effectiveness of the Executive Committee to determine whether a smaller committee would be more efficient.

F.3 Compensation Committee

All 5 members of the Compensation Committee are stipulated in the By-laws and comprised of the Chairman of the Board, the immediate past Chair, the two Chair Emeriti and the Vice Chair/Treasurer. 3 of the 5 members have not changed for at least three years.

The authority and function of the Committee, vested in the By-laws, is to determine the salary and other compensation, including bonus, of the GHCVB's President. The Committee is not required to keep meeting minutes. A bonus point allocation packet signed by all members of the Committee documented its action on the President's bonus.

During the 06 fiscal year, the Committee approved payment of bonus to the President based on an incentive plan in place, which was approved by the Executive Committee. The bonus amount was 37.5% of the President's salary in FY 05. The decision on the President's bonus was not presented to the Executive Committee for approval. Although the By-laws specify that change of more than 10% of the President's salary require approval of the Executive Committee, it is

silent on the President's bonus. Furthermore, as noted in the Bonus Computation section starting on P.38 of this report, although bonus calculations were substantially based on room night bookings, the methodology of recording the bookings is questionable.

Recommendation

Require the Executive Committee approval of the Compensation Committee's decision on the President's bonus.

G. TECHNOLOGY, DATABASES, IT SUPPORT AND TRACKING MECHANISMS

General

GHCVB outsourced all IT functions to Access Data Supply, Inc. (ADSI). ADSI is an IT consulting, software development, and telecommunication/networking services firm based in Houston, Texas.

Software Applications

The Finance department uses Kintera's FundWare, a stand-alone application, for its day-to-day operation. All other departments, including Convention Sales, Convention Services, Tourism, Membership, switched from the Destination 3000 system to the New Media Gateway (NMG) Destination Business System (DBS) beginning February 2006.

DBS is a web-based customer relationship management system designed to bring all sales and marketing processes into a single centralized system to maximize efficiency. There are four core modules in the DBS: the base engine, convention sales and services, travel trade and member services. DBS operates in a web environment and allows every employee, client, member to have access to the system from anywhere in the world 24/7. GHCVB's website interacts with DBS. This enables quick and efficient communication between GHCVB and the meeting planners and the members. Meeting planners can log on the system to complete Requests For Proposal (RFPs), and members can retrieve leads. On the other hand, GHCVB can collect RFPs and distribute leads directly via the website to allow for timely response.

The official launch date for DBS was February 27, 2006. Initially, the Convention Sales Department experienced report generating problems, which have been solved since late April. All report functions are now in place and run well. The Convention Sales Department is in the process of updating the information database to track room night bookings by hotel and venues.

The member services module of DBS is currently under testing. The convention sales and services module is implemented, but sales staff still need to undergo some additional training in order to fully utilize all the functions, specifically the digital marketing tools. The Tourism department and the Houston Image Group (HIG) mainly use the travel trade module.

Tracking and Security

DBS and GHCVB's website are hosted and maintained by NMG at a server located in NMG's Dallas office. Thus system access history is tracked by NMG. At GHCVB's request, NMG could provide tracking reports.

Each department designates its own system administrator who is responsible for setting up new accounts, defining employee permission (access limitation), managing profiles and even tracking sales goals. GHCVB management feels the necessity of, and is currently, developing formal IT policy and procedures for e-mail, Internet use and equipment security. Employee permission to DBS is also in the process of being developed.

Incremental backups are performed daily from Monday to Thursday for files changed that day. Full backups are performed from Thursday to Friday for files on every server. Backup tapes are kept offsite at ADSI office for as long as 6 weeks.

GHCVB relies on system firewall and McAfee to protect the system and data, but does not have a contingency plan. Management believes that with frequent backups and offsite third party server for NMG and outsourced IT function in place, the security risk is reduced to minimal.

Contract Compliance Issues

As of the date of this audit, GHCVB was not in compliance with the City Contract requirements relating to the development of a database to benefit the sales efforts of both GHCVB and GRBCC. These requirements are:

- GHCVB shall maintain a database with detailed information concerning organizations that potentially could hold conventions, meetings or trade shows in Houston. Such a database should be in electronic form that is fully accessible by the staff of the City's Department of Convention and Entertainment Facilities for viewing purposes. There was no database in place or planned.

Recommendations

- Complete the development of and implement IT policies and procedures for e-mail, Internet use and equipment security.
- Complete the development of and implement policies and procedures for access limitation to the New Media Gateway (NMG) Destination Business System (DBS).
- Fully utilize DBS to track room night bookings by hotels and venues to produce meaningful distribution (city vs. county, etc.) reports of bookings.
- Provide training to employees to utilize the digital marketing tools to enhance promotion efforts.

H. RETURN ON INVESTMENT OF ADVERTISING EXPENDITURES

Contract requirements

The 2005/2006 City contract (Article III, Section E), states that the GHCVB Communications Department “must develop and implement a public relations and marketing plan to promote the City of Houston, Airport System and surrounding region (Image Services)”. The efforts coordinated on behalf of the GHCVB are all handled by “in-house” marketing staff. Specific “benchmarks and criteria” must be used to quantify and analyze the effectiveness of the placed media as well as other marketing programs like Internet websites, direct mail, public relations etc.

Also included in the Exhibit “F” of the City contract, the GHCVB must “measure and report the effectiveness of its FY 06 advertising campaigns through sampling and selective measurements”.

Current Practice

The GHCVB Marketing Department has been using industry standard measurements to deliver a viable tracking model for their marketing, advertising and public relations programs. As noted in the Quarterly Advertising/Marketing Reports, and according to the management of the Communications Department of the GHCVB, they use these measurement standards to quantify promotional value for marketing and advertising activities. These measurements have been reviewed and are credible.

Research done by the GHCVB Communication Department reveals that it is very difficult to accurately correlate marketing expenditures with “confirmed room nights, convention center bookings, tourism generated” as stated in Exhibit “F” (pages 4 & 5) in the City contract. When there are promotions created by the GHCVB that include specific hotel offers, these can and have been tracked for success (the 2006 Rodeo campaign promotion is an example). However, calculating a return on investment of press releases, image advertising and other promotions as they relate to specific revenues generated by “affected facilities and Houston in general”, is very difficult and close to impossible.

Recommendation

Negotiate with the City to modify the requirements in Exhibit “F” of the City contract to allow the current measurement of marketing activities as described above be considered acceptable.

I. EFFECTIVENESS OF AND RETURN ON INVESTMENT OF SPORTS MARKETING EFFORTS

Marketing Plan

GHCVB plans to “develop sports marketing effort around Texas Medical Center for Human Performance and continue to market to smaller events as well as major sporting events,” as stated in its business plan.

Sales Staff

GHCVB contracts a part-time sports consultant to promote Houston as a forum for national and international sports events. This consultant is also the President and sole personnel of Space City Sports Commission, the entity set up by GHCVB to take charge of attracting major sports events to Houston. As support, GHCVB delegates a sales manager to act as a sports liaison for following up leads and helping on record keeping. The sports consultant has extensive sports and business experiences over the last two decades, which enable him to have and maintain a broad network of relevant senior relationship in sports. He is the current Chair of USA Baseball, sits on a variety of other sports and business advisory boards and is a regular speaker at national and international sports conferences.

Marketing Cost

In fiscal year 05, GHCVB spent a total of \$446,587 on sports marketing. This amount includes \$200,000 sponsorship paid to the EV1.Net (Houston) Bowl which was for a two year period. For fiscal year 06, budgeted amount is \$343,200; as of December 31, 2005, a total of \$142,929.26 was spent.

Marketing Efforts

During the audit period from July 1, 2004 through December 31, 2005, GHCVB conducted 28 site visits and familiarization trips for 18 sporting groups, pursued 37 events/projects of which 23 were awarded and 11 are pending, and has current prospects of 6 major events with approximately 46,058 room nights.

Room Night Bookings and Economic Impact

# of Events	Attendance	Peak	Room Nights	Economic Impact
FY 05				
15	138,500	24,686	107,089	\$134,899,000
FY 06				
2	110,000	8,100	17,510	\$107,140,000

Economic impact is calculated based on attendance @\$974, a formula set by the International Association of Convention and Visitors Bureau (IACVB).

Hotel Pick Up for Major Sports Events and Economic Impact based on Attendance:

	MLB All Star Game	State Farm Bayou Classic
Event Date	July 13, 2004	November 23-26, 2005
Room Nights Block	10,400	13,860
Pick Up	10,591	3,684
Attendance	41,880	53,200
Economic impact	\$40,797,000	\$51,830,000

Opportunities for Improvements

- A one-man Sports Commission seems to be incompatible with Houston being the fourth largest city in the nation with state-of-art facilities for all major sports. A survey conducted by National Association of Sports Commission (presented at the 2006 NASC Sports Event Symposium) shows on the average sports commissions have 5 full-time and 2 part-time employees.
- Lack of strategic action plan collaborating all the resources that are available to Houston. There seems to be a lack of communication with Harris County-Houston Sports Authority, key venues sales force and hotels, and a lack of personnel to develop a sports-specific economic impact model to be used to efficiently utilize the sales efforts.
- Records on sports marketing are not very well prepared due to time constraints that the part time consultant experiences.

Recommendations

- Set up a separate entity solely for sports with joint efforts of Harris County-Houston Sports Authority, all the key venues, hotels, and GHCVB itself. This entity, in the form of an independent sports commission, should be adequately staffed to carry out effective sales efforts.

If a separate entity is not established, we recommend that the entities currently in place determine which entity would be in the best position to address sports marketing in the City of Houston area.

- Provide better staff support to the consultant to assist in record keeping.

Assessment of the Effectiveness of and Return on Investments of Other Areas

The scope of this performance audit includes assessing the effectiveness of and return on investments of other areas: Houston Image Group, Clear Lake Area, EV1.Net Bowl. After reviewing materials provided by the GHCVB employees, we concur with them that computation of return on investment in these areas is not practicable in terms of hotel room nights.

J. QUALITY AND SUCCESS OF EFFORTS TO ATTRACT NEW ORLEANS BUSINESS AFTER HURRICANE KATRINA

Due to the catastrophic impact of Hurricane Katrina on the Greater New Orleans area, the GHCVB Convention Sales Department made it a priority to assist those conventions already booked definite into New Orleans in late 2005 through 2007. A copy of the New Orleans Convention Calendar was distributed to the sales staff and specific accounts were assigned to the Convention Sales Managers.

Of the 720,685 room nights identified in the New Orleans Convention Calendar as potential Katrina target accounts, the following were the sales results.

Status	Room Nights	Percentage
Lost	619,514	86.1%
Canceled	16,200	2.2%
Pending	11,855	1.6%
Definite	73,116	10.1%
Total	720,685	100%

The overall success of the sales team was 73,116 definite room nights booked out of a total potential 720,685. The overall conversion ratio was 10.1%. The major events booked include Bayou Classic (December 2005) and Essence Festival (July 2006).

As discussed in our separate sales manager interviews and supported by newsletters found on the internet, the GHCVB sales team had a difficult time converting the prospective New Orleans bookings. GHCVB management provided the following reasons for the large number of lost conventions:

- “The primary reason for not booking this business was unavailability of hotel dates and convention center space which means although the business was defined as “potential”, there was no way to fit it into the city.” A few of the conventions were canceled.
- Several “flipped” dates with other cities that had their convention booked in future years in order to accommodate the restoration of the New Orleans convention center.
- Some made the decision not to pull out of New Orleans due to stiff contractual penalties that could have been imposed by convention hotels.
- Atlanta got a lot of business that could have booked in Houston, however, Atlanta has a stronger hotel package than Houston.

K. GEORGE R. BROWN CONVENTION CENTER SALES TRACKING TO PKF CONSULTING REPORT AND PRICE WATERHOUSE PROJECTIONS

PKF was engaged by the City of Houston in 2000 to research the expansion of the GRBCC and the building of a connected Convention Center Hotel in order to justify the cost for such a venture. PKF completed their report and demonstrated that the expansion and the addition of a 1,200 room hotel would benefit the GRBCC, the Houston Hotel community and The City in the long run. Performance goals were identified and approved and the expansion of The George R. Brown Convention Center (GRBCC) and the building of the Hilton Americas were completed in December 2003.

It should be noted that the PKF report shows that the GRBCC should reach stabilization in FY 2006, however the PriceWaterhouseCoopers (PWC) report issued in 2004 shows the stabilization occurring between 2007 and 2009. The GRBCC is currently using PWC and PWC's reporting mechanism to measure the success of the facility along with appropriate benchmarking of other like facilities.

The following is a comparison between PWC projection and actual room nights for the last two years:

Period	Realistic Annual Room Nights PWC Report	Actual Annual Room Nights
07/17/04 – 06/14/05	280,000 to 340,000	225,706
07/15/05 – 07/02/06	280,000 to 340,000	229,838

Based on the stated assumption that the GRBCC will reach its stabilized year in FY 2007/08, the convention center has not achieved its full potential noted in the PWC benchmark report. The critical component over the next two years will be to increase overall attendance and exhibit hall occupancy in order to drive overall revenue for the facility. The focus stated in the City contract to drive business based on room nights, is appropriate. Over-emphasis on these bookings coming from "new" business, however, is counter-productive and should be balanced with "good or economically sound" repeat business.

L. METHODOLOGY AND CRITERIA OF BONUS COMPUTATIONS

Convention Sales Staff

GHCVB has an incentive plan for the sales staff in the Convention Sales Department. A total of \$172,043.49 was paid in bonuses to the sales staff for FY 05.

Bonuses for sales managers are based on each sales manager's attained percentage of his/her individual definite room night (Definite) booking goals and are calculated as follows:

FY 05	Percent of Goals	Bonus @ Percentage of Salary
	85% - 110%	10.0% - 20.0%
	111% - 124%	20.6% - 29.4%
	125% and over	30%

FY 06	Percent of Goals	Bonus @ Percentage of Salary
	85% - 100%	14.0% - 20.0%
	101% - 114%	20.6% - 29.4%
	115% and over	30%

In addition, certain sales managers received short term and holiday business incentives at 50 cents per room night for business booked between January 1, 2005 and December 31, 2006 and during the major and National holidays. The maximum payout for these incentives was \$10,000 annually.

The individual incentive awards are determined by management, with final approval of the President. The FY 06 plan calls for a review of all room night bookings by an audit process to be determined by the President and/or the Board of Directors.

Convention Sales Management Staff

Bonuses for the Vice President of Sales and Executive Vice President of Business Development for FY 05 were calculated based on the same formula as shown above. However, their individual Definite Goal was the 650,000 annual goal for GHCVB.

For FY 06, the Vice President of Sales will receive a bonus based on a separate structure plan, under which 70% of the bonus will be based on the 675,000 annual room night goal, and 30% will be based on management objectives, and economic impact and future growth goals. The maximum amount of bonus is 30% of annual salary.

A separate bonus plan has been set up for the Senior Vice President of Marketing who was hired in November 2005. Under this plan, 55% of the bonus for FY 06 will be based on the 675,000 annual room night goal and 45% will be based on several management objectives including creating a 5-year strategic plan. Maximum bonus is 30% of annual salary.

President of GHCVB

Bonus for the President of GHCVB for FY 06 is calculated based on a 40 point structure plan. Twenty points are awarded if 100% of the bureau-wide room night goal of 675,000 room nights is obtained. Twenty-five points are awarded for obtaining 103% of that goal. The remaining 15 points are awarded based on several management objectives. The maximum amount of the bonus is 40% of the President's salary, by receiving the full 40 points in the plan. The President's bonus for FY 05 was 37.5% of his salary. The Compensation Committee of the Board evaluates the President's performance and has the sole authority to decide on the amount of bonus to be granted. The Compensation Committee's decision is not required to be approved by the Executive Committee, however, the structure plan was approved.

We tested the calculation of the bonuses paid for FY 05 and did not find any exceptions. However, we found that although bonus calculations were substantially based on room night bookings, the methodology of recording the bookings is questionable as noted in our comments on Sales Goal of Room Nights starting on P. 25 of this report.

Recommendations

- As indicated above, we are recommending that the methodology of determining room night bookings be studied with the goal towards making the determination of such bookings less subjective.
- We recommend that the greatest weight in establishing the bonuses be assigned to whatever method of determining room night bookings that is decided by the committee referred to on P.28 above.
- We recommend the Compensation Committee submit their determination of the President's bonus to the Executive Committee for approval.

APPENDIX A

GREATER HOUSTON CONVENTION AND VISITORS BUREAU PERFORMANCE AUDIT

CITY CONTRACT EXHIBIT "F" – REPORTING REQUIREMENTS

The following is the part of the Exhibit "F" listing the reporting requirements applicable to the period from July 1, 2004 to December 31, 2005. The reports were submitted to the Director of the Convention and Entertainment Facilities Department (the Director).

Report due on July 1, 2005

GHCVB shall comply with Section 351.108, Tax Code (Vernon 2002) by providing a list of each scheduled activity; program or event that is directly or indirectly funded by Hotel Occupancy Tax and that will directly promote tourism and hotel and convention activity. Such list shall be delivered to the City Secretary and to the Director before GHCVB makes expenditures of Agreement Revenue hereunder.

Reports due to Director by August 1, 2005:

- (1) GHCVB shall survey all cities in competitive sets 1, 2 and 3 (as identified below) to determine sales goals of each city listed. The report shall be provided to the Director and the GHCVB Executive Committee.
- (2) GHCVB shall provide a report with the following information for each of its convention sales personnel relative to their sales activity during FY 05:

Number and name of GRBCC bookings.

Other conventions booked.

Definite room nights for GRBCC bookings.

Definite room nights for non-GRBCC bookings.

Number of sales leads generated.

Number of sales leads converted to definite.

Number of qualified sales calls.

Number of site inspections.

The report shall include an indication of events that qualify as *Citywide* and whether the business is new to Houston (has not been in Houston for the last 5 years and does not have Houston in its rotation). In addition, GHCVB shall indicate whether such person met their FY 05 sales goal.

- (3) A listing of the bonuses or incentive compensation paid or to be paid to each GHCVB employee or contractor for their efforts in FY 05. GHCVB shall update this list for any such compensation paid after the due date of this report.
- (4) GHCVB shall describe in detail the markets and sales goals of each sales person on the staff.
- (5) A complete list of bookings for Houston facilities attributable to the efforts of the GHCVB for FY 05 with an indication of events that qualify as City-wide and whether the business is new to Houston (has not been in Houston for the last 5 years and does not have Houston on a rotation).

Report due to Director by October 1, 2005:

- (1) A financial report for Houston Image Group covering the period from July 1, 2004 through June 30, 2005. The report shall be certified by independent auditors; it shall fully describe all receipts and disbursements of funds; and it shall set out all material information concerning the financial activities and financial condition of the Houston Image Group. The report shall also include the balance of all funds under the control or capable of being expended at the direction of Houston Image Group.

The following reports are due within 30 days of the close of each quarter during this Agreement (October 1, 2005, January 1, 2006, April 1, 2006 and July 1, 2006):

GHCVB shall submit a report with the following information each quarter during the Agreement Term (report should focus on quarterly activity unless otherwise noted):

(1) Advertising / Marketing:

- (a) Samples of all GHCVB produced collateral materials and associated costs.
- (b) A list all advertisements including name of publication, cost, size, month and type of advertisement (radio, print, television, etc.) and selectively sample and provide evidence of the effectiveness of such ads.

(2) Convention Sales/ Services:

- (a) A list of all meetings and conventions booked by the efforts of the GHCVB during the previous quarter including:

- (i) the name of the event;
 - (ii) year it is to be held;
 - (iii) the facility booked (e.g. GRBCC, Reliant Park, hotels, etc.);
 - (iv) anticipated attendance at event and how the number was determined;
 - (v) anticipated exhibit space (if any);
 - (vi) anticipated delegate expenditures; and
 - (vii) anticipated room night on peak from the event.
- (b) A list of *citywide* leads generated and those converted to definites by the GHCVB during the quarter.
 - (c) A list of the quarterly leads and bookings that were distributed by the GHCVB, specifying the areas of Houston to which they were distributed.
 - (d) A list of GRBCC leads generated and those converted to definites by the GHCVB during the quarter.
 - (e) A cumulative list of lost *Citywide* convention meetings or trade show business, detailing reasons Houston lost the business.
 - (f) Completed client satisfaction surveys for the quarter.
- (3) Houston Image Group:
- A list of all promotions, advertisements and campaigns implemented by GHCVB via the Image Group with a list of its revenues and expenditures, including a breakdown of funds expended directly for Airport System purposes, in a format reasonably acceptable to the director of the Houston Airport System.
- (4) General:
- (a) A list of year-to-date actual vs. budgeted expenditures of Agreement Revenue.
 - (b) A description of all efforts to comply with the City's Minority and Women Business Enterprise programs during the previous quarter;
 - (c) Any other reports as may be reasonable requested by the Director.

Competitive Sets of Cities

Competitive Set 1 (These cities will make up set #1 and will include city-wide total area for comparison purposes):

Dallas
San Antonio
Austin
Kansas City
Denver
Indianapolis
St. Louis
Philadelphia

Competitive Set 2 (These same cities will make up set #2 but will compare central business district (area surrounding the convention center) only:

Dallas
San Antonio
Austin
Kansas City
Denver
Indianapolis
St. Louis
Philadelphia

Competitive Set 3 (These cities will make up set #3 and will include city-wide, total area for comparison purposes):

Dallas
Chicago
Atlanta
New Orleans
San Diego
Miami

Appendix B

Greater Houston Convention and Visitors Bureau Performance Audit All Departments* Employees Survey Population N=27

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	Not Applicable	No Response	Total
1. The goals set for my job are realistic.	11%	4%	22%	19%	44%	-	-	100%
2. The workload is reasonable.	4%	4%	15%	48%	29%	-	-	100%
3. I am provided with enough training to do my job properly.	7%	19%	18%	41%	15%	-	-	100%
4. I am provided with enough information to do my job properly.	11%	4%	26%	33%	26%	-	-	100%
5. Bureau clearly communicates its goals and strategies to me. .	11%	4%	18%	33%	30%	4%	-	100%
6. Policies and procedures make sense to me.	7%	-	56%	26%	11%	-	-	100%
7. High quality work is stressed.	-	7%	19%	33%	41%	-	-	100%
8. Bureau provides equal opportunities for all employees.	11%	15%	22%	11%	41%	-	-	100%
9. Management gives fair and equal treatment to all employees.	19%	11%	22%	22%	26%	-	-	100%
10. There is a high degree of cooperation among different departments.	4%	22%	22%	33%	19%	-	-	100%
11. I receive adequate support from other departments.	8%	4%	33%	33%	22%	-	-	100%
12. Supervisor is available to discuss job related issues.	11%	4%	26%	11%	48%	-	-	100%
13. Supervisor welcomes suggestions and feedback.	11%	7%	26%	8%	48%	-	-	100%
14. Management is responsive to employee concerns.	11%	26%	15%	26%	22%	-	-	100%
15. Diverse perspectives are valued and encouraged.	11%	15%	26%	18%	26%	4%	-	100%
16. Supervisor periodically evaluates employee performance.	7%	4%	18%	41%	30%	-	-	100%
17. Supervisor gives recognition for improvement and achievement.	11%	11%	26%	19%	33%	-	-	100%
18. Supervisor practices consistent policies and procedures.	15%	11%	18%	30%	26%	-	-	100%
19. Staff has trust and confidence in their Supervisor.	19%	18%	11%	11%	41%	-	-	100%
20. My compensation matches my responsibilities.	7%	30%	41%	11%	11%	-	-	100%
21. I am comfortable with the professionalism of my co-workers.	-	11%	37%	33%	19%	-	-	100%
22. I am motivated to see the Bureau succeed in meeting goals and objectives.	-	4%	15%	26%	55%	-	-	100%
23. I am satisfied with the Bureau as a place to work.	7%	-	41%	30%	18%	-	4%	100%

*(Including Convention Sales, Convention Services, Communications, Tourism, Houston Image Group, Protocol and Membership Departments)

24. Overall, how would you rate your job experience? Would you say you are?

Very satisfied	5	19%
Mostly satisfied	8	30%
Satisfied	4	15%
Between Satisfied & Not very satisfied	2	7%
Not very satisfied	3	11%
Not at all satisfied	3	11%
No Response	2	7%
Total	27	100%

25. How long have you worked for the Bureau?

Less than 1 year	6	22%
1 - 3 years	9	33%
4 - 6 years	2	7%
More than 6 years	5	19%
No Response	4	15%
Afraid to say	1	4%
Total	27	100%

26. If you are less than satisfied, what could your employer do to make your job experience better?

- Change top management immediately. Reevaluate goals. Set reasonable goals with input. Get independent evaluation of specific market potential. Tailor sales action plans and goals to the findings for each specific market. Do away with time wasting reports. Let people do their jobs.
- Not lead with intimidation & fear. Don't be little, yell & accuse employees. Supervisor should not make employees feel insignificant, worthless or unneeded in workplace. Should be more respectful & appreciative.
- Start listening to employees with an open mind and not always thinking that they are correct and right. Sometimes your best ideas come from employees. Review supervisors in certain areas that are not qualified for their positions. I believe everyone should have a chance to succeed; Anger Management Classes should be at the top of the list for some supervisors.
- I think my employer should have a better approach toward problem solving. I do not think it is constructive or appropriate to yell at employees and try to bully or instill fear in them. Acts such as throwing files against the wall in rage is uncalled for. It would be much more productive to discuss issues in a calm, constructive manner. I also feel that my employer has issues with misdirecting his frustrations about other issues and taking things out on his employees when they do not deserve it.
- Better management; improve communication; opportunities.
- 6-month performance reviews, incentives.
- Pay increase.
- Remuneration is not enough for the amount of time and effort put on the job. In my particular case, there is a lot of traveling involved, and the circumstances in which we travel are not the ideal ones; employee is required to have own credit card to expense the trip, and I don't agree with that.
- I am satisfied with my job, however communication between departments needs improvement. Also a more realistic guideline for specific management positions in the organization.
- My technology training needs to be scheduled in more detail. Creates policy & procedures manual & update as necessary. Policy & procedures on sales not an employee handbook.

27. Finally, if you could implement one change at the Bureau, what would it be?

- A more organized training program when you start.
- Training is absence. See what type of training is provided, absolutely none. Lack of training-quality inconsistent.
- More outside training.
- Discuss opportunity for growth, educate us further.
- Better communication between departments.
- Departments don't communicate with each other. People are afraid to express their concerns to management for fear of backlash. Too much conniving all the time. (Regarding Q.23 about whether satisfied with the bureau as a place to work)
- Create better communication between the departments. Employees tend to know what they know or to give them whatever they need, regardless of what they are doing.
- More communication & support within departments.
- Definitely better communication between departments.
- Better benefits.
- I would give raises yearly. With economy raising it is much needed. Without raises, your motivation decreases. I would request a yearly raise for all employees not just one or two.
- Pay for performance and continued training for job/ career advancement.
- Improved & fairly assessed salary compensation for all.
- More vacation time, more fiscal incentives.
- Flextime: many employees work long hours to fulfill the bureau's mission; flextime for employees would demonstrate management's appreciation for their dedication and hard work. Vacation: perhaps a more flexible vacation schedules, i.e. not having to wait for 5 years to get 3 weeks vacation. Maybe after 2.5 years employees could gain a few more vacation days to enjoy our city's attractions.

- One change specific to me & my position would be that my work load can be overwhelming at times, so I need production help and we are working on that change presently. Be it an intern, part time or full time, we need assistance so that our focus can be future projects and creative, new ideas. One change at the bureau would be the reminder that we are all in this together (all depts.) So we need to keep communication open and work together towards our big goals.
- I would implement more flexibility. A rigid schedule can stifle creativity and new ideas. A flexible work schedule could increase productivity and creativity.
- Compensated time given to salary employees when job responsibilities require working weekends and evenings. Some tradeshow go into evening time hours in a normal 160 hrs average month schedule. Some months there are additional 40-50 hrs worked during the month with no compensate time given. Sometimes schedules require us to work 10-12 days straight with no break in between.
- We spend a lot of time fulfilling paper work that takes time from our job. All the procedures should be simplified in order to increase efficiency at work place.
- Improve lead on the ongoing inter-organizational approach by closer integrating the GHP, POA, HAS and city of Houston on a common mission: Re-branding of Houston as a premier destination for domestic and international travelers. That synergetic effort would help bring more conventions, fits, groups and even attract foreign direct investment. That will derive in economic development and job creation.
- Show more enthusiasm, have positive team building.
- Eliminate the grandfathering of accounts.
- Replace XXX. (Name omitted)
- Management.
- We should have a softball or volleyball team. I would also like to have a water cooler w/ cleaner water.

**Greater Houston Convention and Visitors Bureau
Performance Audit**

**Convention Sales Department Sales Managers Survey
Population N=10**

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	Not Applicable	No Response	Total
1. The goals set for my job are realistic.	20%	10%	40%	30%	-	-	-	100%
2. The workload is reasonable.	10%	10%	-	60%	20%	-	-	100%
3. I am provided with enough training to do my job properly.	20%	40%	10%	30%	-	-	-	100%
4. I am provided with enough information to do my job properly.	30%	10%	20%	20%	20%	-	-	100%
5. Bureau clearly communicates its goals and strategies to me. .	20%	-	20%	30%	20%	10%	-	100%
6. Policies and procedures make sense to me.	10%	-	70%	20%	-	-	-	100%
7. High quality work is stressed.	-	10%	20%	40%	30%	-	-	100%
8. Bureau provides equal opportunities for all employees.	20%	30%	20%	10%	20%	-	-	100%
9. Management gives fair and equal treatment to all employees.	30%	30%	20%	10%	10%	-	-	100%
10. There is a high degree of cooperation among different departments.	10%	30%	10%	30%	20%	-	-	100%
11. I receive adequate support from other departments.	10%	10%	20%	40%	20%	-	-	100%
12. Supervisor is available to discuss job related issues.	30%	-	50%	10%	10%	-	-	100%
13. Supervisor welcomes suggestions and feedback.	30%	10%	40%	10%	10%	-	-	100%
14. Management is responsive to employee concerns.	30%	30%	20%	10%	10%	-	-	100%
15. Diverse perspectives are valued and encouraged.	20%	30%	20%	10%	20%	-	-	100%
16. Supervisor periodically evaluates employee performance.	-	10%	20%	40%	30%	-	-	100%
17. Supervisor gives recognition for improvement and achievement.	20%	20%	20%	20%	20%	-	-	100%
18. Supervisor practices consistent policies and procedures.	30%	10%	30%	20%	10%	-	-	100%
19. Staff has trust and confidence in their Supervisor.	40%	30%	-	10%	20%	-	-	100%
20. My compensation matches my responsibilities.	10%	20%	50%	20%	-	-	-	100%
21. I am comfortable with the professionalism of my co-workers.	-	20%	40%	40%	-	-	-	100%
22. I am motivated to see the Bureau succeed in meeting goals and objectives.	-	10%	20%	20%	50%	-	-	100%
23. I am satisfied with the Bureau as a place to work.	20%	-	40%	20%	10%	-	10%	100%

24. Overall, how would you rate your job experience? Would you say you are?

Very satisfied	-	-
Mostly satisfied	3	30%
Satisfied	1	10%
Between Satisfied & Not very satisfied	1	10%
Not very satisfied	1	10%
Not at all satisfied	3	30%
No Response	1	10%
Total	10	100%

25. How long have you worked for the Bureau?

Less than 1 year	2	20%
1 - 3 years	2	20%
4 - 6 years	1	10%
More than 6 years	1	10%
No Response	3	30%
Afraid to say	1	10%
Total	10	100%

26. If you are less than satisfied, what could your employer do to make your job experience better?

- Change top management immediately. Reevaluate goals. Set reasonable goals with input. Get independent evaluation of specific market potential. Tailor sales action plans and goals to the findings for each specific market. Do away with time wasting reports. Let people do their jobs.
- Not lead with intimidation & fear. Don't belittle, yell & accuse employees. Supervisor should not make employees feel insignificant, worthless or unneeded in workplace. Should be more respectful & appreciative.
- Start listening to employees with an open mind and not always thinking that they are correct and right. Sometimes your best ideas come from employees. Review supervisors in certain areas that are not qualified for their positions. I believe everyone should have a chance to succeed; Anger Management Classes should be at the top of the list for some supervisors.
- I think my employer should have a better approach toward problem solving. I do not think it is constructive or appropriate to yell at employees and try to bully or instill fear in them. Acts such as throwing files against the wall in rage is uncalled for. It would be much more productive to discuss issues in a calm, constructive manner. I also feel that my employer has issues with misdirecting his frustrations about other issues and taking things out on his employees when they do not deserve it.
- My technology training needs to be scheduled in more detail. Creates policy & procedures manual & update as necessary. Policy & procedures on sales not an employee handbook.

27. Finally, if you could implement one change at the Bureau, what would it be?

- A more organized training program when you start.
- Training is absence. Sees what type of training is provided, absolutely none. Lack of training-quality inconsistent.
- Departments don't communicate with each other. People are afraid to express their concerns to management for fear of backlash. Too much conniving all the time. (Regarding Q.23 about whether satisfied with the bureau as a place to work)
- Better communication between departments.
- Show more enthusiasm, have positive team building.
- Eliminate the grandfathering of accounts.
- Replace XXX. (Name omitted)
- Management.
- We should have a softball or volleyball team. I would also like to have a water cooler w/ cleaner water.

APPENDIX C

Greater Houston Convention and Visitors Bureau Performance Audit

Customers Post Convention Survey Population N=44

Survey Items	Excellent	Very Good	Good	Fair	Poor	Not Applicable	No Response	Total
Sales Managers								
Quality of salesmanship – helped choose Houston first	48%	25%	5%	2%	2%	18%	-	100%
Professionalism	59%	16%	5%	2%	2%	14%	2%	100%
Promotion of Houston as a city	46%	25%	9%	2%	2%	14%	2%	100%
Promotion of Houston hotels, restaurants and other attractions	43%	27%	9%	2%	2%	14%	3%	100%
Promotion of meeting facilities	37%	34%	9%	-	2%	16%	2%	100%
Knowledge of competitive cities and their facilities	32%	27%	9%	-	5%	25%	2%	100%
Service Managers								
Professionalism	68%	11%	7%	-	-	14%	-	100%
Knowledge	61%	16%	9%	-	-	14%	-	100%
Responsiveness	61%	18%	5%	-	2%	14%	-	100%
Housing Managers								
Professionalism	41%	11%	7%	-	-	39%	2%	100%
Responsiveness	43%	9%	7%	-	-	34%	7%	100%

**Greater Houston Convention and Visitors Bureau
Performance Audit**

**Customers Post Convention Survey
Population N=44**

Survey Items	Excellent	Very Good	Good	Fair	Poor	Not Applicable	No Response	Total
Convention Facility								
Functionality	32%	20%	9%	-	-	34%	5%	100%
Room set up	30%	25%	7%	-	-	34%	4%	100%
Cleanliness	32%	23%	7%	-	-	34%	4%	100%
Equipment	20%	32%	9%	-	-	34%	5%	100%
Signage	16%	30%	9%	2%	2%	36%	5%	100%
Parking	16%	20%	5%	7%	2%	45%	5%	100%
General								
Quality of collateral materials (Brochures, maps, etc.)	45%	32%	7%	2%	-	9%	5%	100%
Overall assistance of the Bureau	50%	32%	7%	5%	-	4%	2%	100%

**Greater Houston Convention and Visitors Bureau
Performance Audit**

**Customers Post Convention Survey
Population N=44**

Survey Items	Excellent	Very Good	Good	Fair	Poor	Not Applicable	No Response	Total
City of Houston								
Airport	27%	39%	25%	-	-	9%	-	100%
Overall city rating as a meeting destination	27%	50%	18%	2%	-	3%	-	100%
Overall city rating as a tourism destination	20%	25%	39%	7%	2%	7%	-	100%
Pricing compared to other destinations	23%	32%	32%	9%	-	-	4%	100%
Hotels								
Overall impression	41%	39%	18%	2%	-	-	-	100%
Meeting facilities	50%	41%	9%	-	-	-	-	100%
Quality of guestrooms	48%	39%	13%	-	-	-	-	100%
Services	41%	39%	14%	4%	2%	-	-	100%

Important reasons to choose Houston

No. of Respondents	Reason
13	Hotel facilities
12	Cost
9	Easiness to do business
8	Meeting facilities
5	Climate
4	Industry environment
4	City attractions
3	Sales and marketing personnel
1	Location
1	Promotional publications
1	Promotional collaterals
0	Transportation

N=61 (Multiple reasons given by respondents)

Will consider Houston again

41	Yes
1	No
2	Not sure

If no, reason: Not sure-Our attendance was off but we were pulling from areas that were affected by Hurricane Katrina.

Future locations considered

City / State **No. of Respondents**

Arizona	1
Albuquerque	1
Atlanta	2
Austin	1
Boston	1
Canon (Colorado)	1
Chicago	2
Dallas	5
Detroit	1
Denver	1
Falls Church, VA	1
Florida	3
Ft. Lauderdale	3
Ft. Worth	1
Kansas City	2
Las Vegas	5
MS	1
Washington DC	1
Mexico	1
New York	3
New Orleans	2
Nashville, TN	1
None	1
Okalahoma City	1
Orlando	2
Pittsburgh	1
PA	1
San Diego	3
San Antonio	4
San Francisco	1
Various	1
Woodlands	1
Big 5 TX cities	1
(Houston, Dallas,	
San Antonio, Austin,	
El Paso)	
(Multiple cities given by respondents)	

Attendance compared to this same event last year

Up 12%	1
Up 25%	1
Up 20%	1
Higher	1
Better attendance, more cooperation.	1
150 more participants	1
Have a better turn out	1
Highest attendance ever in Houston	1
Very good	1
Good	1
Lower	4
Down 10%	1
Down 15%	1
Little lower-hurricanes had large effect	1
Same	11
Attendance: 225	1
Unknown	4
No Response	11
Total	44

Suggestions for improvement

1. CVB is great.
2. Everything was fine.
3. Keep up the downtown development.
4. We had a great experience in Houston. People were both friendly & helpful.
5. We had a small conference. I really didn't expect the city to do much for us. One of the down sides of living in a big city. The bureau tried to furnish us with as much promotion materials as they had. No problem there. Had an excellent conference and look forward to doing it again.
6. Because of Katrina, within 5 days of event, venue changed from convention center to Ballpark. CVB, Hotel & everyone helped make the transition extremely easy & smooth. Show was very successful.
7. Keep improving downtown transportation & shuttles.
8. Complaints were made regarding lack of transportation to/from airports & cost of it.
9. The convention center falls far behind other cities (Atlanta, Orlando, San Antonio) in terms of service and services offered. It needs a lot of work.
10. Need larger production facilities.
11. Quality hotel facilities within walking distance to Reliant.
12. Personnel need to be more knowledgeable of other city facilities, i.e. parks and multi-purpose centers when families gather.

13. OK for small meetings/ not a lot of activities/ interest in the convention center area. Need more before we would consider our annual.
14. Need more focus on groups of this size.
15. Website was used most often and could be a bit more user friendly and planner oriented in the planner section.
16. Theater district can be difficult to book. Had to use Stafford center.
17. More communication around what was happening because of the hurricane & how it would affect the groups.
18. The hotel sales person was "OK" but on site very good - that is why I put service at fair.
19. Visas expeditions, and transmit to obtain Visas.

APPENDIX D
Greater Houston Convention and Visitors Bureau
Performance Audit

Members Survey
Population N=59

Rating Scale: 1 = Least satisfied 5 =Most satisfied

Item	1	2	3	4	5	Not Applicable	No Response	Total
1. Monthly listing of new convention sales bookings	19%	10%	24%	15%	30%	2%	-	100%
2. Convention calendar	4%	10%	20%	32%	32%	2%	-	100%
3. Quarterly official guide	7%	3%	15%	29%	42%	2%	2%	100%
4. Access to Convention Services leads	7%	15%	25%	12%	39%	-	2%	100%
5. 10% advertising discount in the Official Guide to Houston	5%	14%	17%	24%	22%	13%	5%	100%
6. GHCVB website	2%	5%	29%	25%	34%	2%	3%	100%
7. GHCVB's efforts in promoting Houston	8%	14%	22%	15%	41%	-	-	100%
8. GHCVB Sales staff's professionalism	2%	8%	17%	24%	47%	-	2%	100%
9. GHCVB Sales staff's effort in obtaining new leads	9%	17%	22%	17%	32%	-	3%	100%
10. GHCVB Sales staff's willingness to work with the members	5%	7%	20%	20%	44%	-	4%	100%
11. GHCVB Management's understanding of the needs of the members	8%	19%	19%	17%	32%	3%	2%	100%
12. GHCVB Management's responsiveness to the members' concern	7%	15%	19%	18%	34%	5%	2%	100%

13. How long has your company been a GHCVB member?

6	Less than one year
20	1-5 years
10	6-10 years
23	Longer than 10 years

14. Is your company benefiting from the Bureau?

40	Yes
1	Somewhat
3	Not yet/not sure
15	No

15. Improvements you think the Bureau should make to promote Houston.

- They are doing a good job.
- They are doing a good job as is.
- Keep up the great work. The new expansion of the convention center has really helped.
- Overall satisfaction with the CVB. (It) is wonderful.
- We had the Super Bowl, NBA All Stars, World Series – Houston’s on a “Roll”. Bureau is doing a great job!
- I think under Mr. Tollett’s watch, the bureau is having its best success since inception. Keep up the good work.
- Although our current hotel is a member less than one year old, our sister hotels have been as long as 10 years from our parent Company. GHCVB & its staff have done wonderful job to promote Houston. We would like to be a Convention City ASAP.

- The monthly listing of new convention sales bookings does us no good without addresses, contact names & #'s. I understand we are waiting on a new website, but we have lost months of sales opportunities.
- Stop wasting resources with too many mail outs! Use your website or e-mail to update members concerning new conventions or new members.
- Regarding Item 4: Access to convention services leads. We don't get very many unless sales team brings them for site tour.
We love the people & appreciate their lead referrals greatly, but the system for getting convention information is not adequate at this time. We used to get a list every month. We haven't gotten one since last year.
- Sending leads in a more qualified fashion. For instance-Downtown properties do not need airport only leads etc. Providing more frequent updates on leads.
- Focus on qualifying business & needs prior to sending leads out. Update members on lead status when lost or pending.
- Make sure the new young sales people qualify. The leads totally - History, what's important, etc.
- Teams are not involved with all hotels. If the hotel is not located in Downtown or Galleria we see no involvement.
- Seasoned newcomers people who have a general interest in the city of Houston and not just Hilton Americas.
- City has a real problem selling a few select properties, while the rest fend for themselves. If you aren't the Hilton Americas, HYATT or a few Galleria hotels, you get no help.
- Remember that there are members to take care of other than just downtown hotels.
- Promote all of Houston... Not just the G.R.B. Be fair to everyone!!!

- We are the 4th largest city in the nation, yet ranked a 3rd tier city?! We were eliminated from Super Bowl consideration in minutes, both times. Also, the push to keep Hilton of Americas booked due to city owned is a conflict of interest. Lastly, every event, outside of monthly meetings, seems disorganized. The staff is too young & inexperienced to be representing our city.
- Work as much with hotels outside of downtown as they do with ones in downtown. We feel they only try to fill the downtown areas, unless it is a citywide.
- Insure all regions of the city can see the fruits of the GHCVB' s efforts. (Not keeping all events downtown only)
- I think Houston is promoted well, but member needs are frequently ignored, unless you're a "big chain". More interaction needed with sales staff - so the little guys can feel value in their membership \$'s!
- Include restaurants in your guide even though they may not have the money for advertise. This will paint a more accurate picture of the dining options Houston has. There are more restaurants in Houston not owned by Landry's. Send out more leads via e-mail for private dining.
- I feel they have to take more effort to promote the hotels without F&B (food & beverage).
- Put in more Galveston photos - Moody Gardens is a major attraction, include Galveston in verbiage.
- While the focus is on large conventions, perhaps a push for smaller groups to use suburban properties could be encouraged. Also the city could use a new branding image.
- Re-brand the city to be more competitive with Atlanta, New Orleans, Chicago, Dallas, etc.

- A new slogan. Space city seems weak.
- New slogan: "Houston, A City of Energy" ...
- Somehow get the cultural events into the hands of more people, more energy generated about our city to our citizens.
- Know the client and the clients needs to a greater extent so that we can send better proposals and secure the business.
Know the city and all we have to offer a client - not just what you think they need.
- National advertising to market that produce high revenue generating accounts.
- Try to promote more conventions related to the oil, gas, energy - they tend to generate more dollars for the hotels restaurants, etc. Focus on more than just space city. Feature our theaters, great eateries, golfing, shopping!!
- Professional, strategic focus on convention sales - the excuses are gone now, we have the hotels, facilities, etc. to do more than consumer expos & low -rated "other" groups. Great visitors center and snappy collateral - need a professional sales arm to complement it!
- We must go after the market that works downtown-the new quick/small meeting seems to be lucrative.
- Promote Reliant Park Convention Center more.
- I would like to see some larger conventions in town that maximizes to enlargement of the Brown & spending throughout the city.
- Qualifying skills and selling skills training to the convention sales staff. Hold accountable to goals. The highly touted "new website" still is not up & running.

- Work more closely with industry to improve air quality. Bring back an equivalent to Six Flags or Orlando. Something for the whole family close to convention center or Reliant Park. Improve public transit (light rail) to airport/NASA/Schlitterbahn/ Moody & other tourist destinations.
- Combine the sales people at the Brown under the direction and control of the Bureau!! This is a must do!
- Reopen airport Guest Center at Bush IAH.
- Review and retool website to work harder for city. Listing of major conventions when Houston is chosen. Bid out Adv. "Officer Guide" yearly to reduce cost. Focus on major conventions with "peak rooms" 5000 more. Less E.M.M. size bookings. Refocus resources on "Bigger Fish". Use of local TV media to promote "what is new Houston?" Need to get local media outlets to feature CVB effort monthly or quarterly.
- The Bureau does nothing to promote the restaurant industry. If we want state/national recognition, we have to promote ourselves. The president of the Bureau plays favorites with his "Special Friends" and uses these friends to stack influential Bureau committees, so they always vote in his favor. Other than the president's " Special Friends, most members are afraid to speak up for fear of retaliation. The president needs to be replaced for the good of the city and the good of the Bureau.
- Not sure. But much business is rebooked business. We need new business of all sizes.
- Benefit from overflow times only. But we are too small for conventions.
- We have not been able to take advantage of all the GHCVB has to offer; therefore we can't really help with your survey this time. Maybe next year, we will have used their services more and have more of an opinion.

EXHIBIT A

SUMMARY OF RECOMMENDATIONS WITH VIEWS OF RESPONSIBLE OFFICIALS



September 11, 2006

The Honorable Annise Parker
City Controller
City of Houston
901 Bagby
Houston, Texas 77002

HAND DELIVERED

Dear Controller Parker,

Please find enclosed our response to the summary of recommendations by Hidalgo, Banfill, Zlotnik & Kermali, P.C. to the performance audit.

Please also find enclosed additional comments to the audit.

If you have any questions, please do not hesitate to contact me at 713-437-5202.

Sincerely,

Gerard J. Tollett
President and CEO

Enclosures: 2

Host City: NCAA Men's Final Four 2011

Greater Houston Convention and Visitors Bureau

901 Bagby, Suite 100, Houston, Texas 77002 • 1.800.4HOUSTON • tel 713.437.5200 • fax 713.227.6336
www.visithoustontexas.com

Houston • Dallas • Chicago • Washington, DC • Mexico City • Hanover, Germany • Tokyo, Japan

Houston is home to the world's largest concentration of medical professionals, world's largest rodeo, NASA, Grand Prix of Houston, Shell Houston Open, Rotary Lombardi Award, world-renowned museum and theater districts, Houston Rockets (NBA) basketball, Houston Astros (MLB) baseball, Houston Texans (NFL) football and Houston Dynamo (MLS) soccer. The George R. Brown Convention Center is one of the 10 largest convention centers in the country. Reliant Park, consisting of Reliant Center, Reliant Stadium, Reliant Arena and Reliant Astrodome, is one of the most versatile convention, sports, tradeshow and entertainment complex in the U.S.

GREATER HOUSTON CONVENTION AND VISITORS BUREAU
PERFORMANCE AUDIT

ADDITIONAL COMMENTS

OBSERVATIONS AND RECOMMENDATIONS

- A long-term (five year) business development plan has not been submitted to the Executive Committee for review and approval

Comments: A Five-Year Business Plan was written and submitted to the GHCVB Marketing Committee in October of 2005. We are currently working on a more in-depth Five-Year plan that would require board involvement and the formation of a task force with representation from city and county constituencies and applicable industries to assess the future of the bureau in the context of the growth of the city. A scope of work for the plan has been created and the bureau is in the process of identifying a consultant to facilitate the task force.

- A qualified Full-time business/research analyst was not employed.

Comments: A job description for this position has been submitted to the City's contract administrator for approval.

- The process to refresh the exhibit booth is still in progress.

Comments: The Exhibit Booth has been discussed and actions being taken have been approved by the City Contract Administrator.

CONFIDENTIAL
02 SEP 11 04 17:17

EXHIBIT A

GREATER HOUSTON CONVENTION AND VISITORS BUREAU PERFORMANCE AUDIT

SUMMARY OF RECOMMENDATIONS WITH VIEWS OF RESPONSIBLE OFFICIALS

No.	Report Page No.	Recommendation	Management Response
Unauthorized Expenditures--Procurement Bidding Procedures			
1	15	Change the bidding requirement policy to apply only to purchases over \$10,000.	The GHCVB respectfully disagrees with this recommendation. Should we implement such a policy MWDBE vendors and Members of the CVB would not be allowed an opportunity to bid on a large number of jobs that are now currently available to them.
2	15	Develop and implement a policy to provide guidelines to employees as to under what situation a bidding process can be omitted and who has the authority to approve it.	The GHCVB currently has a policy in place that states that bids are required for all items over \$100.00. However, we will enhance our current policy to ensure it addresses the auditors' recommendations.
3	16	Document bidding information on purchase orders and provide explanation as to why no bids are obtained.	The GHCVB currently has a policy in place that requires that quotations received are documented. Although, we do not specifically indicate the information should be documented on the purchase order. The GHCVB will however, enhance its current policy to ensure it addresses the auditors' recommendations.
4	16	Document corresponding reason(s) on purchase order as to why the lowest bidder is not chosen.	The GHCVB currently has a policy in place that requires employees to seek appropriate approvals if they are not utilizing the lowest bidder. We currently do not require this information is outlined on the purchase order. However, we will enhance our current policy to ensure it addresses the auditors' recommendations.

No.	Report Page No.	Recommendation	Management Response
5	16	Develop and implement a policy to require that all other departments in the GHCVB to follow the procedures currently used by the Communications Department. The procedures include a cover sheet to be used to summarize all the essential information on the bids received for a purchase. Attach this cover sheet, with proper approval signature(s), to the actual bids received. Keep this whole set of records in file by each individual department. For reference purposes, attach a copy of the cover sheet to the purchase order that is submitted to the Finance Department.	The GHCVB currently has a policy in place that requires all employees to follow the same bidding process. Although, all departments are not required to have a summary page. We will enhance our current policy to ensure it addresses the auditors' recommendations.
Unauthorized Expenditures--Procurement Bidding Procedures (Cont'd)			
6	16	Document all the bid requests by filing a copy of the related fax confirmations, e-mails or letters.	The GHCVB currently has a policy in place that requires that documentation supporting all bids is maintained. We will however review this policy with all employees to ensure they understand these requirements.
Control of Sports Events and Other Events Tickets			
7	17	Develop and implement standard procedures to document the distribution of sports and other event tickets that are either purchased or received under special agreements. Develop a standard format of documentation to include attendee's name, company name and affiliation with the GHCVB.	The GHCVB currently has a policy in place to address distribution of tickets. However, we will review our policy to ensure we are capturing all information as recommended by the auditors.
8	17	Retain unused events tickets for accounting purposes.	The GHCVB will implement a policy that addresses accounting for unused tickets for auditing purposes.

No.	Report Page No.	Recommendation	Management Response
Business, Travel and Entertainment Expenditures			
9	17	Develop and implement bureau-wide policies to limit client entertainment and alcohol consumption for that purpose. Policies to be followed by all personnel in the bureau.	While the GHCVB is sensitive to 'entertainment' expenses, it is the nature of its business to participate in such activity. Also, the Bureau's current policy follows the best practices of the industry and general business standards. Currently all expense reports are reviewed by the Controller of the GHCVB to ensure that policies are followed.
10	17	Retain full detail receipts as support for employee reimbursements.	Industry standards do not require that full detailed receipts be used when a printed company receipt is made available. However, when possible the GHCVB will take steps to ensure that all receipts are adequate to prevent concern of alteration. Although, some issues such as tips to bell person, etc. leeway should be granted.
Control of Airline Tickets under Contracts with An Airline			
Latin America Promotional Agreement			
11	18	Keep records of negotiations made with the airline regarding ticket class exchange.	The GHCVB will follow the recommendations of the auditors and institute a more comprehensive procedure recording negotiations made with the airline. However, it should be noted that the tickets in question are at no costs to the tax payers and the airline has given the GHCVB praise for their work with the airline. Also, the contract is with the GHCVB and not HIG.

No.	Report Page No.	Recommendation	Management Response
12	18	Make better efforts to improve record keeping of airline ticket log.	The GHCVB currently has a system that allows for verification of use of the tickets provided. These tickets are provided at no cost to the tax payers and currently approved by the airline. The GHCVB will however, review its current system to ensure the auditor's concerns are addressed.
13	18	Keep all e-ticket confirmations in file as supporting documents.	The GHCVB will follow the recommendations of the auditors and institute a more comprehensive procedure for the issuance of tickets. However, it should be noted that the tickets in question are at no cost to the tax payers and the airline has given the GHCVB praise for their work with the airline.
Control of Airline Tickets under Contracts with An Airline (Continued)			
Barter Agreement			
14	19	Implement formal procedures requiring employees to fill out paper request forms to request airline tickets. Exceptions be given out only under emergency situation and well documented.	The Bureau already has formal policies in place for travel and ticket requests. All employees must complete a Travel Authorization form prior to any travel. The Travel Authorization form is signed off on by the respective department head, the Controller of the GHCVB and the Sr. V.P. of Marketing. If the travel is out of the country the form is signed off on by the President and CEO and the Chairman of the Bureau's Board. This form is required prior to issuance of any tickets.

No.	Report Page No.	Recommendation	Management Response
Reporting Policies and Procedures and Accountability to Others			
15	20	Conduct a study to evaluate the usefulness of each internal report. If it is found that the current reporting process has become onerous and non-productive, simplify or eliminate some reports.	We agree with this finding. However, the reports produced by the GHCVB are per the instructions of the City of Houston's contract administrator. It should be the charge of the auditors to make recommendations as to which reports should be simplified or eliminated.
16	20	Develop a "key indicators" report for board members, which captures and highlights statistics, financials, trends, significant changes, etc. in a two to three-page document.	The GHCVB already produces a "Key Indicators" report. It is called "MBO" Management By Objectives. The document has been available to the board members for the past few years. However, it has recently been consolidated to a two page document.
"Best Practices" Reports Update			
17	21	Explore the advantages/disadvantages of setting term limits for Officers, and members of the Board, the Nominating Committee and the Compensation Committee.	This recommendation will be relayed to the GHCVB's Executive Committee.

No.	Report Page No.	Recommendation	Management Response
Strained Relationship with GRBCC Staff			
18	21	Hold regular meetings to improve communications between GRBCC and GHCVB.	<p>The Bureau does not feel there is a foundation for comments that a 'strained relationship' exists between the GRBCC staff and that of the GHCVB. There has been a long established working relationship between line personnel from each entity. Further since January 2005, the management of the GHCVB, GRBCC, Reliant, and The Hilton Americas, under the direction of the Chairman of the Bureau has met weekly to review business for the city, its impact on each entity and set a course of action. With the addition of Ms. Schmees to the Houston Sports Association, an invitation has been extended to her to participate as well. These meetings have produced an excellent working environment that has eliminated duplication of effort and had a positive result for the pursuit of business.</p> <p>Additionally, semi-annually, all entities reconcile their target markets to assure cooperation and eliminate overlaps.</p>

No.	Report Page No.	Recommendation	Management Response
Sales Staff Turnover			
19	22	Hire qualified sales personnel with appropriate backgrounds who have strong ties to various industries and/or meeting planners from those industries in order to drive business to the GHCVB. Retention of quality sales professionals should be a priority of senior management.	While the GHCVB recognizes a turnover of six (6) of its positions in the past two years, averaging three (3) per year, the turnover level is lower than that experienced in the hospitality and bureau industry. In addition, 4 of the terminated employees had 5 to 20 years of experience. Of the current staff 6 employees have been employed for two years or more, and nine have more than 10 years experience in hospitality or convention sales.
Low Sales Staff Morale			
20	23	Provide sales staff better training.	The GHCVB has provided past training to the sales staff. However at the recommendation of the auditors we are in the process of evaluating the current training needs and anticipate the first training module being implemented within the next 30 days.
21	23	Review level of compensation and compare with salary offered by other CVB's and leading companies in convention businesses.	The GHCVB currently participates and utilizes Destination Marketing Assn. Int'l (DMAI) annual salary surveys to ensure that it continues to offer competitive salaries to all its employees. DMAI is the world's largest association of convention and visitors bureau organizations.

No.	Report Page No.	Recommendation	Management Response
22	23	Improve communications between supervisory and sales staff.	Weekly meetings are currently held to encourage communications. In addition, the Management at the GHCVB maintains an open door policy to all staff members.
23	23	Provide personnel management training to supervisory staff.	The GHCVB currently offers management training to upper management.
Officers' Convention Sales Efforts			
24	24	Hold regular meetings with representatives from the hotel community to improve communications and relationships with the group.	<p>The GHCVB takes exception to the auditors review as it sampled only 17 hoteliers out of a hotel membership within the Bureau of 130 properties or only 13%. Additionally within the same section 57% of the members of the Bureau that were interviewed by the auditors gave the Bureau a 5 and/or a 4 out of 5 rating indicating a positive rating of the performance of the Bureau. The results are therefore in contradiction to the auditors comments.</p> <p>Further, the Bureau CEO sits on and attends monthly meetings with the Hotel & Lodging Association of Greater Houston and addresses its members on Bureau activities, along with holding quarterly 'Team Houston' meeting with the entire Hospitality Industry at which activities for the prior three months are reviewed.</p>

No.	Report Page No.	Recommendation	Management Response
Sales Goal of Room Nights and Measurement Methodology			
25	28	Establish a five-member committee to determine a better way to measure the performance of the GHCVB. This committee would consist of the current Chairman of the CVB, two board members from the hotel industry, one board member who is an employee of the GHCVB and one board member from the GRBCC.	This recommendation will be relayed to the Executive Committee of the GHCVB. However unlike our competitive sets, the GHCVB exceeds industry standards by requiring that the sales staff has a contract to support all bookings.
26	28	If some sort of room night measurement is continued as a part of the measurement of GHCVB performance, the committee referred to above (or a similar committee) would review room night numbers of large citywide events and of all events with room nights in excess of 10,000. Room nights related to such events would be taken definite only upon review and approval by this committee.	This recommendation will be relayed to the Executive Committee of the GHCVB.
Sales Staff Reports			
27	29	Review actual sales files (hard copies located in the file room) and daily electronic work files of the sales staff during the bi-monthly one-on-one meetings between senior management and each sales manager to ensure accuracy and completeness.	This recommendation is currently being done by the V.P. of Sales.

No.	Report Page No.	Recommendation	Management Response
Effectiveness of Board Committees			
Meeting Minutes			
28	29	Keep minutes of all committee meetings.	This recommendation will be relayed to the Executive Committee of the GHCVB.
Executive Committee			
29	31	Conduct an internal study of the size and effectiveness of the Executive Committee to determine whether a smaller committee would be more efficient.	This recommendation will be relayed to the Executive Committee of the GHCVB.
Compensation Committee			
30	32, 40	Require the Executive Committee approval of the Compensation Committee's decision on the President's bonus.	The Compensation Committee was established by the Executive Committee for this purpose. Therefore, it is agreed in the GHCVB's by-laws that as long as the Compensation Committee awards an amount that is within the 10 % stipulated guidelines the Compensation Committee is acting on behalf of the Executive Committee.
Technology, Databases, IT Support and Tracking Mechanisms			
31	33	Complete the development of and implement IT policies and procedures for e-mail, Internet use and equipment security.	The GHCVB is currently working with Mir Fox & Rodriguez, P.C. to enhance our current policies and procedures as it pertains to e-mail, internet use and equipment security.

No.	Report Page No.	Recommendation	Management Response
32	33	Complete the development of and implement policies and procedures for access limitation to the New Media Gateway (NMG) Destination Business System (DBS).	The GHCVB is in the process of modifying and providing training on the new software program, New Media Gateway. We have every intention of utilizing the software to its fullest capacity. The City's Contract Administrator is cognizant of this effort and is working with the Bureau to institute those changes necessary to provide the communications required.
33	33	Fully utilize DBS to track room night bookings by hotels and venues to produce meaningful distribution (city vs. county, etc.) reports of bookings.	The GHCVB is in the process of modifying and providing training on the new software program, New Media Gateway. We have every intention of utilizing the software to its fullest capacity. The City's Contract Administrator is cognizant of this effort and is working with the Bureau to institute those changes necessary to provide the communications required.
34	33	Provide training to employees to utilize the digital marketing tools to enhance promotion efforts.	The GHCVB is in the process of modifying and providing training on the new software program, New Media Gateway. We have every intention of utilizing the software to its fullest capacity. The City's Contract Administrator is cognizant of this effort and is working with the Bureau to institute those changes necessary to provide the communications required.

No.	Report Page No.	Recommendation	Management Response
Return on Investment of Advertising Expenditures			
35	34	Negotiate with the City to modify the requirements in Exhibit "F" of the City contract to allow the current measurement of marketing activities be considered acceptable.	The auditors agreed with the GHCVB that the requirements in Exhibit "F" are not industry standard nor are they feasible for the Bureau to comply. It should be the charge of the auditors to make recommendations to the City that are within industry standard.
Effectiveness of and Return on Investment of Sports Marketing Efforts			
36	36	Set up a separate entity solely for sports with joint efforts of Harris County-Houston Sports Authority, all the key venues, hotels, and GHCVB itself. As an alternative, determine which current entity is in the best position to address sports marketing in the City of Houston area.	The GHCVB take exception to the auditor's recommendations. We have been and continue to maintain an on-going working relationship with Houston Sports Authority for sports marketing of the entire region. We do not feel a separate entity is necessary.
37	36	Provide better staff support to the consultant to assist in record keeping.	The consultant was paid a fee that is in accordance with industry standards. Therefore the consultant was expected to have the support needed to comply with the terms agreed upon in the contract.
Methodology and Criteria of Bonus Computations			
38	40	Conduct a study of the methodology of determining room night bookings with the goal toward making the determination of such bookings less subjective.	This recommendation will be relayed to the Executive Committee of the GHCVB.

No.	Report Page No.	Recommendation	Management Response
39	40	Assign the greatest weight in establishing the bonuses to whatever method of determining room night bookings that is decided by the committee referred to in Recommendation no. 25 above.	This recommendation will be relayed to the Executive Committee of the GHCVB.